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West Europe Report

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29 November 1985

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POLITICAL

EUROPEAN AFFAIRS

FRG FAULTED FOR SLOW PACE OF EEC REFORM

Hamburg DIE ZEIT in German 18 Oct 85 p 40

[Analysis by Rudolf Wagner: "Margaret Thatcher's Belated Victory" / Bonn also at Fault for Protraction of Reforms]

[Text] One sees her talking angrily to a few gentlemen around her, then walk towards her car with determined steps: when the Milan summit meeting of EC heads of state and governments ended in June, everyone considered British Prime Minister Margaret Thatcher the big loser in the struggle for EC reform. Hadn't a government conference been called against her will in order to put an end to the veto right with which the members of Council of Ministers had been blocking each other since 1966? And had she not been given to understand by the majority that the Community wanted to advance and therefore must be given new responsibilities, for instance in foreign policy?

It was rumored that German Foreign Minister Hans-Dietrich Genscher, in his bathtub on the morning of 29 June, had come to the decision to push reform politics by surprise. Minutes later, in a proposal to the German chancellor, he dictated: "The European Union is beginning, the member states will conclude a treaty on the organization of the European Union. It will be discussed and resolved at the European Council in Luxembourg." This text was then read by Helmut Kohl in the meeting with his colleagues. Three and a half months later, very little is felt of the relief, the atmosphere of a new start among the majority who had thought they could finally break free of the British, Danish and Greek bonds. What is left are a few meeting dates which no one can keep, and the certainty that the Luxembourg summit will not permit any highflying idealistic acts.

Meanwhile, the Milan desire for reform had gained some shape in three institutional forms. At the center of all expectations is the work of a committee under the chairmanship of Luxembourg EC ambassador Jean Dondelinger, who is to prepare a change of the EC treaty rights. On occasion, also, the permanent representatives of the EC member states were called together in Brussels in order to come to an agreement on immediate reform measures which could be legally binding overnight even without changing the EC laws. Lastly, the political directors of the foreign ministries are trying to find ways to combine better than before the foreign policy will of the Community members.

The committee on "immediate measures" had to meet only twice to realize that it had better stop its work. The logic of this decision is typical of the spirit of the Community--because this committee could actually propose measures which would be of Euro-political use. But were they to be implemented right away, they could no longer be used as trade-offs in balancing the interests of the EC member states. For this reason it is only logical that the ambassadorial meetings were halted. But the European Community's capacity for action is under final threat if the existing veto right of the individual member state remains in force even after Spain and Portugal join the EC. True, the veto has only been used very rarely in the Councils of Ministers; its power consists in the political pressure which its announcement occasions. The Community of Twelve, however, could no longer avoid the constant pressure of particular interests.

It would need only a simple resolution by the foreign ministers to put an end to this fuss--with the exception of the few cases specifically listed in the EC treaty law. But Bonn does not have the courage to declare a unilateral waiver of the veto right, thereby setting an example. Thus the Councils of Ministers remain clearing houses for seeking national advantages, and the grain price veto by Agriculture Minister Ignaz Kiechle will probably catch on by the time the next EC decision crisis comes around. And it will come for certain.

On the other hand, the consultations of the political directors proceed in a positive and confidential manner. Evidently there is agreement among all EC partners that the foreign minister conferences within the framework of European Political Cooperation (EPZ) are to be given a contractually stipulated basis conforming to international law. Bonn foreign minister Genscher had to resign himself to the fact, however, that there will be no EPZ secretariat in addition to the EC Commission.

One will be able to speak of a successful reform only if the innovations not only determine what is being practiced already, but expand the substance of EC foreign policy. It was Genscher's idea to discuss, in future, security policy needs of the EC in an advisory body. But he has met great resistance, not only from the Irish who do not wish to join a military bloc. The past has shown long ago how difficult it is to achieve foreign policy coherence of the member states. After the invasion of the Red Army in Afghanistan, no joint boycott of the Olympic Games in Moscow was carried out; the British Falkland expedition was noted by some with painful silence, although London had wished for endorsement; and the Community's South Africa policy suffers from the fact that it seems exaggerated to some, too restrained to others.

In the Dondelinger committee working on the EC treaty law, individual controversies are of no interest; chaos rules there. That is not surprising, for the foreign ministers have dumped all unsettled questions at the door of the presently most important reform authority. One cannot hold it against the ten EC ambassadors that, so far, they have only discussed the most important issues, and otherwise have started files: on

the subject of an internal market, expanded power for the European Parliament, on questions of technology and environment, on cultural cooperation, and the cohesion of the Community.

Finally, the EC Commission also wants to have a share of the reform cake. So it asked for a revision of its administrative powers, in its own favor, naturally. According to preliminary planning, a draft for EC treaty changes should have been submitted by 25 October. The Dondelinger committee will not even come close to fulfilling this expectation.

The federal government stood out in this body with a reform proposal for expanding parliamentary powers, in which not even German parliamentarians had had a say. It is not surprising that even CDU members among the European parliamentarians reject the proposal. The mutual lack of understanding between Bonn coalition politicians and their party pals in Strasbourg which, however, is only decried in whispered conversations, is gradually expanding into a quarrel. The parliamentarians do not want to have the arbitration committee procedure forced upon them, desired by the federal government, which would "only camouflage the excessive power of the Council of Ministers." Under the Bonn proposal, if the proposed arbitration procedure does not lead to an agreement, then the Council of Ministers makes the sole decision. Says a disgruntled CDU member in Strasbourg: "This reminds me of the work regulations for offices, under which the boss is always right according to article 1, and article 2 stipulates that in all other cases, article 1 automatically comes into force."

The demand raised in Milan by the chancellor to improve the powers of the European parliament "stays empty," says another parliamentarian from the CDU, who also does not want to see his name in print. Bonn must not advocate a new right to be heard which will remain without consequences in the EC decision-making mechanism. One can also forego introduction of an allegedly binding agreement by the European Parliament to treaties which would only become effective after agreement by all national parliaments.

On the other hand, the EC Commission has taken seriously the June resolution of the EC chiefs of states and governments regarding development of the European internal market, and is promoting reforms with the goal of a qualitative leap by 1992. In order to reduce the appetite for vetoes and to isolate the "brakemen," it proposes majority votes for the implementation of the "four great freedoms," which are to ensure an area without borders for 320 million citizens, goods, services and capital. Bonn acts interested in reforms, but refuses to agree to specific reforms. The federal government opposes tax harmonization, for example, although it would be the first to profit from the expected increase in the value-added tax. It persists in its opposition to the European currency Ecu and to rapid examination and adaptation of technical norms.

Jacques Delors, president of the EC Commission, who in the European Parliament can expect "respect" from Egon Klepsch (CDU), chairman of the parliamentary caucus of the People's Party, has fallen out of grace with

the federal government because of some clear and quick words. But is Delors really so wrong when he claims that Bonn and London are not really in favor of a common internal market? In retrospect the Milan summit appears as the perfect example that reforms cannot be set in motion by majority resolutions, and that vetoes can be abolished only by those who are in the habit of imposing them. Margaret Thatcher won after all--and Helmut Kohl helped her.

9917

CS0: 3620/47

POLITICAL

CYPRUS

LACK OF COMMON LINE WITH GREECE RAPPED

Nicosia I SIMERINI in Greek 22 Oct 85 p 3

/Editorial by Savvas Iakovidis: "Tragic Jokes"; words enclosed in slantlines printed in all caps/

/Text/ What bad devil and what demagogic politicians have for years been hindering the convening of an all-national conference on the Cyprus issue? This question is causing pain to every Greek who clearly sees where the Cypriot Government's vacillating policy and the president's that's-what-I-want policy is leading us. Instead of making a national policy, the government is making small-time politics.

What is the common ascertainment? It is that as far as the Cyprus issue is concerned we are moving along unsteadily. Those governing the country have remained satisfied with the insipid and unenforced resolutions of the United Nations and other international organizations and our Third World supporters. They say that through "greater internationalization" the Cyprus issue will be resolved. But the Cyprus issue has been internationalized for some 30 years now and consequently recorded on every daily agenda of the General Assembly.

What has Cyprus and Hellenism won up to now? We have been left with the "nation," it has been consolidated and its recognition is expected shortly. The Turks are moving along undisturbed and /undistracted/ to accomplished facts while international conditions and occurrences are favoring them in their advance toward their expansionist and conquering plans to our detriment. Karamanlis, who also bears /very heavy/ responsibility for the destruction of the Cyprus issue, had once said that Hellenism must /clearly/ and responsibly determine its goals so that those from whom we are expecting assistance might be able to help us. Greece makes the best of the well-known dogma: "Cyprus decides and Greece disposes" and is justified because of.... distance. Cyprus says that it has the main responsibility for handling the issue.

All of this is a tragic joke. Because Greece has conventional, historic and /national/ responsibilities in Cyprus that are not annulled through any dogma or any pretext. If Cyprus is lost the bell will toll for the rest of Hellenism. Cyprus is in such an evident military, political and diplomatic state of /weakness/ that it cannot either decide on or determine a policy line or tactics. For that reason what is necessary is the closest and most harmonious cooperation between Greece and Cyprus in all fields of endeavor and not only in words only or /seasonally./

For years now Hellenism has been on the defensive. It defends itself against the plans of the Turks. And instead of making plans for and implementing a concrete strategy for suppressing and checking Turkish plans, it merely engages in slogan-making and gets involved in small-time egocentric and that's-what-I-want individuals.

Today, Kyprianou is being reproached and is under trial. His policy is not approved by the majority of Cypriot Hellenism. He does, however, have the support of Greece in his handling of affairs. There is evident /contradiction/ prevalent. The contradiction has catalytic and destructive consequences both on the domestic front and on the further handling of our problem. What needs to be done and what should have been done months ago? /All/ the political leaders of Cyprus and Greece should have met in Athens. To determine and /together decide/ our policy on the Cyprus issue. /To commit themselves/ to Cyprus and to history. Finally, to assume their responsibilities. And all together to confront Turkey.

For years now the Turks have humiliated us. They have occupied half of Cyprus and threaten the rest. Practically everything has been attempted, concessions have been made beyond all limits of security, destructive errors and omissions have led us to the brink, slogans and resolutions do not save us, while we give the impression to third parties that we do not have a concrete policy toward the Turks. We simply suffer the consequences of their own policies. Does not this /moment/ or painful reality stir anyone, here or in Greece? But since our leaders do not want to draw up an all-national policy line on the Cyprus issue, they should soon expect new and worse hardships. And they will not have the time to ask themselves how and why they fall upon us.....

5671

CSO: 3521/25

POLITICAL

CYPRUS

PERCEIVED WEAKNESSES OF GREEK ECONOMY

Nicosia I SIMERINI in Greek 23 Oct 85 p 1

/Editorial: "Green Chaos"/

/Text/ In Greece, half of the Greek people criticize Papandreou for having dismantled the economy. The other half congratulate him because he will save it through his new measures. Reality is painful for both sides. For that reason too everybody goes on strike. Greece's economy is going badly. To blame for the green economic chaos is not only the "socialist" policy of the Papandreou government. Also to blame are all previous governments.

It would not be incumbent upon us to propose to Greece what it should do to resolve its economic problems. First of all because such formulas do not exist. Secondly because Greece's economic problems are many and complex. Thirdly because we here in Cyprus have already encountered worse economic impasses. And yet every problem that upsets Greece is also our problem. It is in this meaning that our interest over what is happening today in Greece is recorded.

While in the opposition, Papandreou proclaimed solutions to problems. There was no promise that he did not make. There was no productive or non-productive class in Greece that did not get promises from Papandreou for a better life and a more prosperous future. Today, of course, 5 years later, all the Greek people have gone on strike. All are striking in order to protest. Instead of a more prosperous future they find themselves faced with grievous economic uncertainties.

The political mentality of Greek political parties is a basic factor for the weaknesses of the Greek economy. All promise the impossible. And in the long run they do not even offer the possible! Usual small-time politics may not have destructive consequences for a country. However, small-time economic policy is not a funny story. It has tragic consequences for the people and for its bad or good future.

Another reason that is endemically responsible for Greece's economic weakness is bureaucracy. The antiquated systems for decision-making waste a great amount of time and unproductive expenditures. In fact, everyone in Greece admits that bureaucracy is the biggest underminer of any endeavor whatsoever in economic development.

A third reason is amateurishness. It is the well-known characteristic sign that for decades has described the Greek people: "Let us economize." They mean today, not tomorrow. Now. Without planning. Without long-term planning. Without delay. These indicative reasons, together with the unruly and undisciplined mentality of the Greek people, have continuously left Greece behind. And, of course, the EEC is not just a game to pass the time by. It is an area for deadly competition. Without the capability for successful competition, Greece will stagnate economically-speaking.

We here believe that an economically strong Greece can always be a security for Cyprus. Not only for the politically unsavable Cyprus but for the economically unmanageable and disorderly Cyprus. And it is with added vexation that we now see (in addition to so many other problems) the economic impasse in Greece joining with the economic problems in Cyprus.

Next year, 1986, will be a very difficult year. Let all those here pay attention to the problems. Both in and outside of Cyprus. In their proper dimension. And beyond the premature party calculations that the inexcusable and accountable presidential that's-what-I-want policy imposed so as to see how the problems may be confronted collectively. The country must without any further delay be done with various elections and with the decline of President Kyprianou because there are frightful national, political and economic problems that only a government of unity under Glavkos Kliridis (we have been shouting for 10 years) can handle. Because nothing is going well. And the Turks certainly know it and are getting ready and lying in wait.

5671

CSO: 3521/24

POLITICAL

DENMARK

REPORTERS VISIT COMMUNIST PARTY NATIONAL CONFERENCE

Jens Bonde Gained Prominence

Copenhagen BERLINGSKE AFTEN in Danish 18-24 Oct 85 p 2

[Article by Victor Andersen]

[Text] At its national conference, the Communist Party of Denmark turned against Profit Sharing and announced its intention to take legal action against the Danish Underground Consortium. The most important feature of the conference, however, was the confirmation that the party has got an interesting prospective leader.

The national conference of the Communist Party, which was held at Odense during the past weekend, has been described as empty, as the marking of time of members loyal to the party. Several of the major media even felt that they knew this beforehand and they failed entirely to appear at the national conference.

The idea that the national conference would be without content was, however, a fallacy. The national conference was one of the more promising indications for quite some time that the Communist Party of Denmark may not forever remain banished from the Folketing. This was revealed by a future party leader who has got a far better rapport with the public than the present party chairman, Jørgen Jensen.

Jørgen Jensen did not take on an easy task when, in 1977, he replaced the prematurely deceased and colorful party leader, Knud Jespersen. Some people, however, are able to solve difficult tasks. It is widely held that Jørgen Jensen has not been able to do that. It is felt that his monotonous enumerations of well-known party positions have deterred quite a few, otherwise interested people.

Law of Gravitation and the Constitution

Things are different, as far as Jens Peter Bonde, the Communist Party member of the European Parliament, is concerned. Already at the national congress last year of the Anti-EC Movement (which, incidentally, also happened to take place at Odense), he displayed a vitality and a wealth of ideas that caused

several people to mention him as the man of the future, also within the party. He confirmed this impression with great skill at the national conference of the Communist Party over the past weekend.

Jens Peter Bonde not only possesses vast political knowledge and a sense of strategy (these capabilities are so pronounced that, for a while, he participated with greater zest in the budgetary discussions of the European Parliament than his friends within the Anti-EC Movement liked). In a party where one's joie de vivre usually appears to be overshadowed by the walls of the Kremlin, he can afford to show an extraordinary sense of humor. One example over the weekend was that he allowed a heap of papers containing EC Union plans to drop to the floor of the conference hall with the words: "The only law they abide by is the law of gravitation. Imagine if they also abided by the Constitution.

The idea that Jens Peter Bonde may become the new top figure within the party, perhaps already from the next national conference, is reinforced by observers who participated in the general conversations in the lobby at the meeting.

New Political Style

In still another sense, the national conference showed a glimpse of renewal.

Within the political left wing in Denmark, the aggressions have always been directed more strongly against the neighboring parties than against the more remote nonsocialist parties. The Communists have always been most glib and harsh when scolding the Social Democratic Party, the Socialist People's Party and the Socialist Left Party. This year, the theme of the national conference was formulated in an entirely new way, as "Unity Against the Right," meaning that the left-wing parties would now, on the contrary, have to stick together. The party outside the Folketing apparently wanted to borrow a bit of warmth from those inside the Folketing. The Socialist Left Party and the Socialist People's Party had entered into the game and had sent observers to the national conference. The Social Democratic Party had declined with thanks by letter.

The contact to the two parties with "a footing in the Folketing" may prove useful for the Communists in connection with one particular issue. At the national conference, they prepared themselves to present the conduct of the Danish Underground Consortium in the area of taxation as criminal, if anything. They announced that they intended to make reports to the financial crimes police. Back to everyday life following the national conference, they talked more in terms of an investigation by an impartial committee. In connection with such an investigation, should it ever come about, the party would be in urgent need of the support of parties which rightfully move within the halls of power.

Rejection of Profit Sharing

Jørgen Jensen, however, was firmly rooted in the traditions of classical national conferences in his sharp opposition to Profit Sharing and Economic Democracy. Reforms of that kind will weaken the labor movement, he stressed.

The party chairman apparently fears that his party members might lose their enthusiasm if their lives were made more comfortable through profit sharing. Just like the merchant in one of Soya's dramas who loves poetry but borrows collections of poems from the library because he finds that poets are best when they starve.

Reporter Finds Little Disunity

Copenhagen AKTUELT in Danish 19 Oct 85 p 20

[Commentary by Knud Poulsen: "Minority in Stronger Position Than Majority"]

[Text] The influence of the Communists is increasing. The smaller the party becomes, the greater its importance, says party chairman Jørgen Jensen.

That is why Knud Poulsen makes the following request: Support the Communist Party of Denmark, increase its strength and its influence. Do not vote for it.

The influence of the Communists is growing. The smaller the party becomes, the greater its influence. These are the words of its chairman, Jørgen Jensen himself, and he made that statement at the national conference of the party at Odense.

The motto of the party at present is: "Unity against the Right," and the Communists themselves probably represent the smallest unity within this unity, the most important characteristic of which is that it is nonexistent. But, after all, as they say, as long as one does not allow oneself to become intimidated by the facts. If the Communists were not there, the unwavering unity which they represent would undeniably not be there, and the Right might then move correspondingly farther toward the Left.

When Jørgen Jensen makes a statement, I feel Christmas approaching, regardless of the time of the year he makes his statements. He is a trustworthy and good man who has the best of intentions and who, year after year, dissociates himself from evil. In the literal sense, it may not be the Gospel that he is preaching, but who bothers about such things as long as the soul and the spirit are ready. And that they are. We are here dealing with a top politician of the sincere type, and they are rare.

What is it then that the Communists have done so well, as the somewhat officious TV reporter took the liberty of asking?

But it is not as easy as that to make Jørgen Jensen lose his composure. He would be able to point to several things. Was it not true that the Communists advocated peace? And was there not still peace? Was it not the Communists who wanted Denmark to be free of nuclear weapons? And had as much as a single missile been deployed on Danish territory? It was not merely Dr. Tværgade [Communist Party headquarters located in Dr. Tværgade] they had succeeded in

keeping free of those terrible things, but also the surrounding streets and lanes: Bredgade, Store Kongensgade as well as Fredericiagade! Indeed, the Communists certainly used the influence they had got, and they certainly used it well.

Nobody should, however, allow himself to be induced to believe that the Communist Party of Denmark were a purely local Danish factor of power. The influence of the party extended far beyond the country's borders. The party's representative in the Anti-EC Movement, Mr. Bonde, had thus seen to it that the European communities would not be transformed into a union. The concept of union might lead to such terrible things; this was known far too well from the Soviet Union. It is true that he did not say this, but the members of the party are bright. They are capable of thinking for themselves.

The unity within the party is stronger than ever. This was confirmed on the TV screen, where two of the party's young members were seen seated together with two of the party's older members, Alfred Jensen and Ragnhild Andersen, who have been members of the Communist Party since the beginning of the century. It was a delight to hear how well the two generations understood one another. The young people made it clear that they had much to learn from the two older members and from their experiences, while the older members, for their part, found that they benefited correspondingly from being with the younger members. It was a party and family idyl that almost brought tears to one's eyes.

It is true that the young man took the liberty of using the expression "old foggy," but it was not aimed at the two older party members. The person he had in mind was party secretary Ib Nørlund, who was not present, but who would hardly have resented the expression even if he had taken part in the conversation; for the tone of voice was extremely friendly, almost bordering on the cordial. In other words, they were the words employed by one comrade to confirm his friendship with another comrade by way of an understatement.

The young girl who represented the female section of the young Communist generation was also an experienced demagogue of the right stamp. She said that the Communists were human beings just like all other people, and that many had told her that if the rest of the party members were like her, they would not hesitate to join the party. It is to be hoped that her subtle, little hint will have the needed effect. Personally, I myself also found her a nice and pleasant girl and almost joined the party if it had not been for Jørgen Jensen's equally credible statement that the party's influence had got nothing to do with the size of the party--rather the contrary. In a way, the minority is stronger than the majority--Jørgen Jensen quite agrees with Henrik Ibsen on this.

He--Jørgen Jensen, not Henrik Ibsen--kept pointing out that the Communist Party of Denmark was a parliamentary party, irrespective of the fact that it is a couple of seasons since it was represented in parliament, and regardless of the fact that they did not attach too much importance to whether or not they were, indeed, represented in parliament.

In other words: Support the Communist Party of Denmark. Increase its strength and its influence. Do not vote for it!

POLITICAL

FEDERAL REPUBLIC OF GERMANY

SPD LINKS WITH GDR EXAMINED

Hamburg DIE ZEIT in German 4 Oct 85 p 6

[Analysis by Carl-Christian Kaiser: "Not Chumminess with Communists"]

[Text] The Union wants to reactivate an old bogeyman: the unreliable Social Democrat. Recently hardly a day has passed when the SPD does not see itself accused of conducting a "secondary foreign policy" because of its growing contacts with the GDR and other East bloc states, particularly after it generated the draft of a treaty on a chemical weapons free zone in Europe and now wants to attempt a joint model for a corridor free of tactical nuclear weapons. The opposition, storm the CDU and CSU, is attacking the government from the rear; there is talk of "chumming with communists," and the Minister for Inner-German Relations Heinrich Windelen is even warning the GDR against favoring the Social Democrats.

Jealousy of this kind has a comic effect, because it is as good as unfounded. When Willy Brandt visited Erich Honecker 2 weeks ago, he emphasized time and time again that he did not possess a mandate to negotiate nor was he claiming one, but only wanted to contribute to a solving inner-German problems. It is part of normal democratic procedure that the opposition, which can speak more freely and in a more relaxed way than the government, occasionally plays a supplementary role in relationships to other countries. Just as it was accepted custom for the chancellor's office to provide detailed information to the SPD chairman about the current status of inner-German relationships. And for Honecker to affirm the imminent relaxations for travel and visits on the occasion of Brandt's trip, which were not discussed until Helmut Kohl and other Union politicians made contact with the head of the SED, can only come as welcome to the government.

Naturally the SPD is also pursuing party-tactical objectives. But if the government is trying to take advantage of what it inherited from its social-liberal predecessor regarding a policy about Germany, then it is only fair if the Social Democrats do not want to fall behind. No one will be able to stop them from trying to prepare, with their own touches, for the day when they can return to power. During their time as the opposition, when the roles were reversed, the Union expanded and cultivated its ties in the United States to an extent that occasionally surpassed the social-liberal connections; the special connection of the chancellor's advisor on foreign policy Horst Teltschik to the U.S. administration dates back to those days.

Naturally the government of the GDR also has its tactical motives. Steady connections and a less tense relationship with the West promise not only respect in foreign policy matters, but above all a gain in accreditation for its domestic policy; with a more relaxed Western policy it knows it is of one mind with the citizens of the GDR. The obvious thing to do is to expand its links with Western socialist parties and make careful use of socialist roots and traditions that have not yet been buried in the other part of Germany. But the Social Democrats are not being courted for their beautiful blue eyes. If the SED is seeking more legitimacy in its domestic policy with the methods of foreign policy, it is always in order to stabilize its rule and a German socialist state. For all its cultivation of connections and possible common interests, it is practicing a solid policy of division.

Even if the connection to the SPD becomes even closer, no one among the experts in Bonn imputes that the SED regards this skein of a relationship as a means by which the Kohl government could be put under pressure. The same realism is attributed the state party when discussion turns to the much-invoked suspicion that it wants to loosen Bonn's connection to the West and that of the SPD in particular. That may remain a distant goal, but for the present, especially in security policy, East Berlin is also intent on achieving a *modus vivendi*. Among the Social Democratic East politicians there is a maxim to the effect that communists are necessary partners in questions of security, competitors in the international field, but opponents in domestic policy.

Still the question remains whether the quantity of connections and their content are not changing into a new quality. The SPD is in the act of knitting a new kind of network. Besides its contacts with the SPD, it is preparing to talk with Soviet communists about reducing armaments costs in favor of greater assistance for the Third World, with the Polish party about measures to increase trust, with Hungary about economic cooperation between East and West and with the Prague communists about environmental questions. In part, these discussions have already progressed beyond the initial stage. Members of the SPD's Commission on Basic Values are meeting with delegates from the Academy for Social Sciences of the SED Central Committee for discussions on the social, economic and technological changes in both camps; the Research Institute of the social-democratic Friedrich-Ebert Foundation maintains links to the SED Academy and other institutes in the GDR. SPD manager Peter Glotz recently debated with the cultural ministers of Hungary and the GDR on aspects of European identity. There are many other kinds of contacts with the East, which are concerned with more than just day-to-day problems.

In this way, policy on the East, particularly policy on Germany, is actually entering a new phase. The Social Democrats talk about it with increasing frequency. To the connections between the governments are added contacts between parties, which, for the FRG, do not carry any responsibility for governing. A second weave is coming into being to supplement and lend depth to the official links. But from it is developing in the FRG, naturally enough, dissent in domestic policy.

The Union regards the model for a treaty on a chemical weapon-free zone with raised eyebrows. In the treaty it sees an encroachment on the negotiations in

Geneva, the subject of which is a global ban on chemical weapons. Added to this, it is afraid of irritation among the Western partners, particularly in the United States, as a result of "excursions by the Germans," and it suspects that the GDR could quickly mix up humanitarian progress in inner-German relations with the more complicated problems of security policy. There is also a multitude of individual objections to the treaty draft.

The intellectual disposition of the Social Democrats is different in principle. They start from the common interest, which has also been a high priority of the GDR for a long time, in preserving both German states from destruction on a nuclear battlefield and in reducing the potential for conflict and weapons in central Europe. Without putting their loyalties to their own alliances in question, the FRG and the GDR, like other medium-size and small nations as well, should make proposals to reduce tension in such numbers and of such weight that the two superpowers ultimately cannot ignore the initiatives. In the eyes of the SPD the chemical weapons model represents an additional initiative of this kind, intended to contribute at least to promote trust and to a partial solution, if not to advance a global solution--especially as the treaty draft contains a mechanism for verification which, in the view of the SPD, could cut the Gordian knot that has been created in Geneva on this point.

The difference in basic principles becomes particularly clear when Egon Bahr says that what is involved is a policy in which "both sides begin to organize their security jointly and not against one another." This contains, of course, a reproach of present U.S. policy and the response that it finds with the present Bonn government. This explains the sharpness of the disagreement as well as its polemical exaggerations. The government in Bonn, at least the Union, will not be party to the Social Democrats' ideas. But it will have to tolerate a serious discussion on the subject. It is not the enjoyment of being chummy with communists, but the common fear of a nuclear inferno that is leading to efforts to put questions of security on the German-German agenda.

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POLITICAL

FINLAND

RIVAL COMMUNIST NEWSPAPERS REPORT ON DISTRICTS' EXPULSION

Party Chairman Attacks Stalinists

Helsinki KANSAN UUTiset in Finnish 14 Oct 85 pp 6-7

[Article: "Central Committee Unanimously Expels Eight Districts: 'Problems Would Only Have Been Postponed by Continuing Negotiations'"]

[Text] In the end, the definite decision to expel the eight TIEDONANTAJA district organizations from the SKP [Finnish Communist Party] was made swiftly and unspectacularly.

The Central Committee, which reached its decision on Sunday, was in complete agreement on the issue. Nor, after the numerous stages, did there seem to be any further need to discuss it.

The inevitability of the decision was also plainly understood by the leaders of the TIEDONANTAJA faction, because not a single delegation of the "unity forces" was seen in the vicinity of the meeting place.

The Central Committee made it clear that the response of the eight districts and the subsequent discussions had shown it would be useless to continue the negotiations. The problems would only be thereby postponed.

Expelled from the party at one blow was the nucleus of the TIEDONANTAJA faction: the SKP's district organizations in Etela-Karjala, Joensuu, Kuopio, Kymenlaakso, Lahti, Tampere, Turku, and Uusimaa.

The Central Committee emphasized that the eight district organizations themselves had consciously chosen to leave the party.

"Considerable Damage"

It is stated in the decision that their "activity and conduct inside and outside the party had made it noticeably difficult for the party to function" and that "the district organizations had failed to pay--in accordance with bylaws and resolutions--their membership fees since the start of 1985."

Because the grounds for expelling a district organization are not specifically mentioned in the SKP bylaws, reference is made in the Central Committee's decision to section 11 of the association law according to which the association can expel a member if the latter neglects his duties or by his activity has made it noticeably difficult for the organization to function.

The Central Committee's power to decide the issue became indisputable just a few weeks ago when the register of associations upheld the bylaw amendments adopted at the SKP's extraordinary party congress.

In the decision six typewritten pages in length, the basic content of the letter sent by the Central Committee to these districts in September is repeated, and the districts' joint response to the letter is evaluated.

In the opinion of the Central Committee, the response reveals a "desire to continue previous activity which causes the party considerable damage and violates party bylaws and resolutions." The Central Committee views the response as a "declaration of war against the party."

Divisions and Members Not Expelled

Having repeated in his outline the reasons for the decision and having estimated the effects, Chairman Aivo Aalto emphasized that this did not mean the expulsion of even a single party division or party member.

Divisions and members are offered the opportunity to operate within the party with equal rights and obligations, he said.

This still presupposes that they regulate their membership through district organizations and divisions which belong to the SKP.

Aalto also shed more light on the matter at a news conference after the meeting. He said that they will be allowed ample time to think the matter over. On the other hand, however, a situation in which one belongs simultaneously to the SKP and to an expelled district organization cannot last very long.

The Central Committee decided at the same time to send a letter to all party divisions which are members of the expelled district organizations, a letter in which they are urged to transfer to a district organization belonging to the party.

All members of the party will be receiving mail before long.

The Central Committee authorized the chairmen and the general secretary to send the members a letter in which there is an explanation for the solution now reached and the follow-up work implied by it, as well as the tasks that lie ahead for the party.

"Building a Party"

Aalto felt that the meeting would go down in history as the one which ended 20 years of internal unsettledness in the SKP.

After this, according to Aalto, the SKP is starting the "crucial work of building a communist party with a strong membership."

The vigor and energy which were expended on internal squabbling will now be used to build the nation's future, said Aalto.

There was also speculation at the news conference about whether the SKP had been driven to the sidelines of domestic politics.

In Aalto's opinion, this kind of thinking is based on the outrageous claim that the Soviet Union would meddle in Finland's internal political affairs and that the other parties would not make independent decisions.

According to Aalto, the judgments otherwise publicly expressed about the effects of the SKP decision have taken as their emphatic starting point that the matter would have only negative results.

Report on Yhteistyö Situation

On Sunday the Central Committee received a report on the situation of the Yhteistyö Printing Plant and on the dismissal of workers.

Chairman Aalto also touched on the issue in his outline.

According to him, the transfer of a substantial number of printing jobs from Yhteistyö, which has received acclaim for its work, to the plant controlled by the leaders of the TIEDONANTAJA faction cannot be understood without political background influences.

"If someone imagines that the disentanglement of the SKP's internal state can be affected by such means, it indicates utter ignorance of us Finnish communists," said Aalto.

Also on the Central Committee's brief agenda was approval of three new organizations as party members.

Approved were the SKP's Kemi regional organization from the Lappi district, the Inha division from the Vaasa district, and the Koillis-Pirkka division from the Pirkanmaa district.

Central Committee Took Up Collection for KANSAN UUTiset

The Central Committee decided to join the support campaign for KANSAN UUTiset, and a collection taken up quickly during the meeting netted 1,615.30 marks for the support fund.

It also issued a challenge on the same matter to the league council of the SKDL [Finnish People's Democratic League], which convenes in a couple of weeks.

* * *

The main stronghold of factionalism in the SKP has now been crushed.

Therein lies the core of the solution reached on Sunday by the Central Committee, according to Chairman Arvo Aalto.

In so doing, the Central Committee has fulfilled the wish of the party's majority, emphasized Aalto and added that in each of its attacks during the internal struggle the leadership of the TIEDONANTAJA faction has appealed to the members, but it has never obtained the trust and authorization of the majority.

The comprehensive speech given by Aalto at the start of the Central Committee meeting also contained--in addition to a survey of the background to the expulsion decision--a number of more precise formulations of concepts that had appeared in public as well as an appraisal of the decision's effects.

Since the return to a state in accordance with the bylaws is not possible with the cooperation of the TIEDONANTAJA faction's leaders, it will be done without them, with those forces which are ready for it, said Aalto.

He nevertheless wanted to reject as "utterly erroneous" the idea that the TIEDONANTAJA people would quickly be expelled from the party.

"The slighter the damage done to the party by the disconnection of the TIEDONANTAJA districts remains, the less support SKP members and followers give to the hopeless struggle of the TIEDONANTAJA faction."

There is a place for everyone in the SKP with equal rights and obligations, underscored Aalto.

As far as the eight district organizations are concerned, the Central Committee had no alternative, in Aalto's view. Their last response "undisguisedly proclaims a continuation of the internal struggle in the previous style," he said.

In the political goals of the reply letter, according to Aalto, there is nothing substantial which it would not be possible to accomplish within the party without needing to isolate oneself outside the party.

Aalto accused the leaders of the TIEDONANTAJA faction of dishonestly avoiding their responsibility when they utterly disavow the existence of the factional activity they have practiced for 20 years.

In Aalto's opinion, the faction's leaders can bear responsibility for--among other things--the misjudgments they made when they opposed the agreements reached between the SKP and the Social Democratic Party, agreements by which the Central Federation of Finnish Trade Unions and its member unions as well as the Workers' Sports League were united.

Aalto continued the list by pointing out how the faction reproached the SKDL ministers during the government years of the SKP and the SKDL and how it was the most vociferous critic of Mauno Koivisto during the presidential election campaign.

In all the elections it has campaigned, visibly and audibly, first and foremost on behalf of its own candidates, and the overall success of the electoral alliance has been secondary for it, said Aalto.

Error Which Is Corrected

As a kind of turning point, Aalto brought up the 1981 party congress in a resolution of which unambiguous provision was made for a return to life in accordance with the bylaws.

"Because, as a matter of fact, the compromise made by the 1970 extraordinary party congress concerning the party's organization principle, democratic centralism, was rejected.

"In the selection of party leaders the rigid proportionality principle, which rests upon and accepts participatory activity, had proven to be an error in practical life."

Aalto acknowledged as legitimate the question of why the decision was not made ages ago.

He himself replied that it had resulted in part from the patient and tenacious effort of the party leadership and the majority of members to preserve the party's organizational unity in spite of everything.

"Those who belong to the TIEDONANTAJA faction have interpreted this patience as the majority's weak point, and this has to a certain extent encouraged them to continue their factional activity."

Now, according to Aalto, the situation has become intolerable from the party's viewpoint: the majority of members have long ago become thoroughly fed up with the perpetual internal skirmishing year after year, because the damage inflicted by it on the party has been so great.

"Trustworthy Partner"

Discernible in the back of the minds of the TIEDONANTAJA faction's leaders, according to Aalto, is the thought that if the SKP straightens out its internal situation contrary to their wish, the party will be driven to the political sidelines, into a situation in which it would be shunned by collaboration partners.

According to him, however, after the wounds heal the SKP will be a trustworthy partner for all those parties and forces which work on behalf of an improvement in relations between Finland and the Soviet Union as well as a foreign policy based on the Agreement of Friendship, Cooperation, and Mutual Assistance.

Yet Aalto considered it understandable that the party's true friends and collaboration partners have been worried about the effects of the decisions made, because everything which weakens the SKP's position possesses wide-ranging negative effects on (up to and including) foreign policy.

In order to eliminate this worry, in Aalto's opinion, the SKP must be able to show that the party's restoration to good health leads to a strengthening of its position and authority.

"Not Tactics But Principle"

Aalto began the part of his speech dealing with the SKP's relations to fraternal parties by stressing that for the SKP these relations are not "a tactical issue or a matter of our party's internal struggle but--in a profound sense--a question of principle and our policy's international significance."

Aalto said that relations with the Communist Party of the Soviet Union (CPSU) were overtaxed at this moment by the tension arising from the SKP's internal situation.

"I want to say as unambiguously as possible that the SKP did not and does not need to change its traditional and fundamental attitude toward the CPSU.

"The SKP has no requirements--internal or issuing from the interests of our country and our people--which would imply a change in this matter.

"On the contrary, the objective interests of the SKP and our entire nation require a continuous improvement in these relations. Good relations between the SKP and the CPSU can also promote the gathering of forces in the international communist movement for resolving the great and fateful issues of mankind.

"We for our part are therefore ready to act decisively to ease the tensions which burden our relations and to strengthen our cooperation."

Electoral Alliances Without Internal Struggle

Arvo Aalto also made it pretty clear that the SKDL would not participate in the next elections the way it did before.

He said that the SKDL needs electoral alliances which are free of the burdens of internal struggle and the undemocratic centralization it causes.

Aalto said that the decisions were timed specifically for this autumn so that--among other things--there would be enough time afterwards to prevent the negative effects of the TIEDONANTAJA faction's severance in the upcoming parliamentary elections.

In Aalto's view, it is too early in the new situation to start predicting the SKDL's success in the elections, something which he believes has been more opinionmaking by soothsaying than anything else.

He warned, however, against building castles in the air and stressed that the most important thing now is to be able to eliminate, as far as possible, the negative effects of the breakup.

The conditions have only just been created for the activity of the future, Aalto pointed out and stressed that the SKP is a party of members and that this must also be seen.

"As the party frees itself from a dogmatic faction, there must emerge authentic and working democratic rights for members, rights whose influence extends to everything in the party."

No Breakup of Trade Union Movement

Aalto recommended using the improvement of the SKP's internal state to strengthen the people's democratic positions in the trade union movement and in other mass organizations of labor.

According to him, the restoration of the party to good health is not followed by demands for breaking up the people's democratic groups in the trade unions. Only measures by the TIEDONANTAJA faction can induce pressures in that direction, he said.

Central Committee Official Report

Helsinki KANSAN UUTISET in Finnish 14 Oct 85 p 8

[Article: "Unanimous Decision to Expel Disruptive Districts"]

[Text] From its meeting on 13 September 1985 the SKP Central Committee sent the SKP district organizations of Etela-Karjala, Joensuu, Kuopio, Kymenlaakso, Lahti, Tampere, Turku, and Uusimaa a letter in which the responses and steps for restoring party unity are laid out.

Emphasized in the letter was the need to establish Finnish Communist Party unity in activity on behalf of peace, expansion of democracy, and the current political goals of socialism and the party.

The letter states, among other things:

--Internal party dissension and parallel activity, which have lasted nearly 20 years, have hampered the party's operations. Continuation of parallel activity would lead to the party's destruction.

--The party's leadership and the majority of members have shown lengthy forbearance and a willingness to compromise during these years in order to avoid an open breakup and achieve real unity. Nevertheless, the eight district organizations which publish the newspaper TIEDONANTAJA have organized themselves into a nationwide establishment of parallel activity around the TIEDONANTAJA association.

--The so-called separate agreements, which were in conflict with normal party practice and the fundamental organizational principles of democratic centralism, did not lead to the attainment of party unity. The TIEDONANTAJA faction did not cease its independent activity nor did it revert to the party's functional unity molded by resolutions and bylaws.

--Party unity can be built only on the groundwork of bylaws and resolutions of the party congress and the Central Committee and not on the basis of dictation by a factional minority which holds itself aloof from party activity.

--According to a resolution of the 20th SKP party congress, independent activity contrary to the resolutions of leadership organs cannot be permitted. The 20th party congress charged the Central Committee with the task of initiating measures

to assure that the management of party work took place in all district organizations in conformity with Central Committee resolutions.

--The extraordinary party congress resolved to build party unity through political debate and activity in which the party must take into account the new circumstances of societal development, the appraisals based upon them, and the experiences of workers.

--At the 20th party congress, comrades who enjoyed the trust of the TIEDONANTAJA district organizations refused membership in the Central Committee.

--The independent activity of these district organizations and the public defamation of the party have intensified since the 20th party congress and the current year's extraordinary party congress despite the specific rulings and appeals of these congresses to return to unified activity.

--The leadership of the eight district organizations which publish TIEDONANTAJA continued the parallel activity by holding an antiparty meeting on 16 June 1984. Levelled in the final resolution of this meeting were charges which amounted to a gross besmirchment of the party and which had no basis in reality. Ten times after this the district organizations have held statewide antiparty meetings to organize factional activity. In the resolutions of these meetings, the party and its rulings have been attacked.

--In its operational policy and in its content the newspaper TIEDONANTAJA, adopted by the district organizations as their organ, has taken aim against the party and its rulings. Together with the TIEDONANTAJA circulation department, the faction has been organized into a parallel operation which covers the entire country.

--The district organizations refused to participate in preparations for the extraordinary party congress which they themselves had called for and thereby demonstrated indifference toward the party's organizational principles.

--The district organizations have broken off relations with the Central Committee and, for example, information about members has not been reported to the Central Committee in the sequence specified by resolutions. Nor has the Central Committee's ruling of 4-5 May 1985 on the district secretary question been implemented.

--Public parallel activity has also hampered and impeded the operations of the entire people's democratic movement as well as the work of the SKDL and its district organizations.

It is mentioned at the end of the Central Committee's letter:

"In order to restore our party's intellectual and political as well as functional and organizational unity, the Central Committee anticipates the following measures and responses from your district organization's district committee or from an extraordinary district congress by 7 October 1985:

"(1) Your district organization will approve the rulings of the Central Committee, the SKP's 20th party congress, and the extraordinary party congress of 1985, and

will take steps to implement them and will oblige its members to participate in party work in keeping with bylaws and resolutions.

"(2) Your district organization will resolve for its part to cease publication of the newspaper TIEDONANTAJA and to break off all its relations with the TIEDONANTAJA association which publishes the paper.

"(3) Conforming to the rulings of the Central Committee, the SKP 20th party congress, the extraordinary party congress, and the SKDL election organs, your district organization will resolve to participate in the election work of the SKDL.

"(4) Your district organization will make its proposal for district secretary to the Central Committee and will provide information about members and otherwise maintain normal contact with the Central Committee.

"(5) Your district organization will remit membership fees to the Central Committee.

"The Central Committee is willing to engage in supplementary discussions with your district organization about matters mentioned in this letter.

"The Central Committee urges your district organization to return to normal party activity and observe the bylaws and resolutions which have been made. All those party organizations and members who carry out the party's platform and rulings and observe the bylaws can be members of the Finnish Communist Party. With a commitment to party congress resolutions and party bylaws, the Central Committee declares that continuous activity in opposition to the party line, party congress resolutions, and Central Committee rulings is not possible in the Finnish Communist Party: this path inevitably leads outside the party, and bearing responsibility for it are members and organizations which engage in such activity.

"On the basis of your response, the Central Committee will discuss your district organization's membership in the Finnish Communist Party."

Neither in the discussions conducted--at the behest of the Central Committee--with the SKP district organizations of Etela-Karjala, Joensuu, Kuopio, Kymenlaakso, Lahti, Tampere, Turku, and Uusimaa nor in their executive committees' joint reply were the arguments of the Central Committee letter endorsed 13 September 1985 proven wrong. Nor has the district organizations' response created the conditions for establishing party unity and activity in conformity with the bylaws.

On the basis of the foregoing questions and the received written response to them, let the following, among other things, be declared:

(1) The district organizations state in their response that they observe the political resolutions--and the main line of SKP conduct recorded in them--drafted collectively by the 20th party congress and the party congresses which preceded it. Practical activity has not tallied with this statement, however. It also emerges from the letter that the district organizations do not observe the resolutions of the extraordinary party congress held in 1985 and of the Central Committee chosen by it, nor do the district organizations take steps to implement those resolutions.

Furthermore, the district organizations have claimed in their letter that the Central Committee renounced the main political line of the party and the resolutions of the 20th party congress and the party congresses which preceded it.

(2) The district organizations have announced in their response that they consider it necessary to continue publication and circulation of TIEDONANTAJA and have thus refused for their part to cease publication of the newspaper TIEDONANTAJA and to break off relations with the TIEDONANTAJA association which publishes the paper.

(3) It is evident from the letter of the district organizations that the latter are unwilling to participate in the SKDL's unified election work and to act in compliance with the resolutions of the 20th SKP party congress, the extraordinary party congress, the Central Committee, and the SKDL electoral organs.

(4) The district organizations announce in their response that--contrary to the resolutions passed by the Central Committee on 5 May and 13 September--there is no need to make new proposals in the district secretary issue.

Nor have they agreed to provide information about members and otherwise maintain normal contact with the Central Committee.

(5) The district organizations have declined to pay membership fees to the Central Committee, at the same time as they even dispute the entire membership-fee obligation.

The district organizations' response and the discussions conducted as a result of it clearly show, in the opinion of the Central Committee, that further negotiations could not create the conditions for producing party unity. Attempts have been made for almost 20 years to solve the problems through negotiations and separate agreements. The district organizations' points of departure are the same as before: the continuation of parallel activity injurious to the party. The consequence of new negotiations would only be to postpone the problems.

The response of the district organizations' leaders reveals a desire to continue earlier activity which violates party bylaws and regulations and inflicts considerable damage on the party. The response is in fact a declaration of war against the party.

After receiving the district organizations' written report and after verifying that the district organizations' activity and conduct inside and outside the party had made it noticeably difficult for the party to function and that the district organizations had failed to pay their membership fees in accordance with bylaws and resolutions since the start of 1985, the Central Committee unanimously resolves, on the basis of §11 of the association law and §10 of the SKP bylaws, to expel the following district organizations from the Finnish Communist Party:

the Etela-Karjala district organization of the Finnish Communist Party;

the Joensuu district organization of the Finnish Communist Party;

the Kuopio district organization of the Finnish Communist Party;
the Kymenlaakso district organization of the Finnish Communist Party;
the Lahti district organization of the Finnish Communist Party;
the Tampere district organization of the Finnish Communist Party;
the Turku district organization of the Finnish Communist Party;
the Uusimaa district organization of the Finnish Communist Party.

Finnish Communist Party
Central Committee 13 October 1985

Moderates' Newspaper Proclaims 'Decision'

Helsinki KANSAN UUTISET in Finnish 14 Oct 85 p 2

[Editorial: "The Solution"]

[Text] This autumn powerful and contradictory pressures have been brought to bear on the work of the Finnish Communist Party's Central Committee. By the decision it made yesterday, the Central Committee believed that it was fulfilling the organization-policy obligations laid down by previous party congresses.

No other way remained to carry out the duty of restoring the party to good health, because the most recent negotiations conducted this autumn clearly showed that the leadership of the TIEDONANTAJA district organizations rejects all proposals for establishing unity and gives preference to independent activity injurious to its own party.

The solution reached means that the chief strongholds of the opposition movement relinquish the opportunity to appear publicly on behalf of the party. It does not mean the expulsion of members and party divisions, though this has often been claimed in public.

The ruling makes it possible for the party's decisionmaking organs to be able to concentrate on the discussion of political and ideological issues, something which has been greatly overshadowed in recent months by organization-policy matters.

History and the upcoming period, on the other hand, will answer the question of whether this solution opens the way for the genuine restoration of party health and the growth in political power steadfastly sought by the Central Committee.

Stalinist Paper: 'New Party'

Helsinki TIEDONANTAJA in Finnish 14 Oct 85 p 2

[Editorial: "Aalto Lays Foundation for New Party"]

[Text] A heinous crime has now been perpetrated against the SKP, the working class, our country's national interests, and the international communist movement.

The current leadership, which represents an antiparty and rightwing line, expelled eight party-line district organizations from the SKP.

The expulsion was masked in talk about "putting an end to independent activity" and "returning to life in accordance with bylaws." In reality, the expulsion took place so that the current leadership could preserve its power and pursue its independent activity contrary to the party line and bylaws even to the point of changing the nature of the party. The expellees were urged to comply with rulings contrary to bylaws and injurious to relations with fraternal parties. The expelled districts could not, of course, comply with them.

The decision to break up the party was made--without the membership's authorization and without listening to the membership's views--by a group which represents a narrow minority in the party. Talk about a "majority" is, above all, tragicomic when in order to acquire and preserve power the party's present leadership has been compelled to falsify the membership register, violate the bylaws, hinder the implementation of even rudimentary member democracy, and when it is now obliged to reveal its true face by rejecting the eight district organizations' proposal for a party debate and a vote by the members.

Both the Communist Party of the Soviet Union and the forces which represent the SKP viewpoint have repeatedly observed that the measures of the current party leadership would lead not only to the party's breakup but also to its destruction and liquidation as a Marxist-Leninist party. In its place the current leadership is actually building a new Aaltoist party. This is, after all, the direction in which the Aalto group's activity is pointed.

Construction of a new party began as soon as the current leadership found time to establish puppet district organizations alongside the district organizations loyal to the party. The steps in constructing a new party have been: a bylaw amendment contrary to Leninist organizational principles; embarkation on a change in the party's intellectual and political line on the basis of class harmony, reformism, and nationalism; and violation of the party's international relations.

It now appears that in order to bring the breakup to a conclusion the present leadership is obliged to build the new party's organizational machinery from the ground up. After all, the communists who support SKP principles and unity do not voluntarily forsake their own party. The SKP is their party. It is too beloved and precious to be left without a battle in the hands of demolishers and liquidators. No self-respecting human being voluntarily lets his own home be destroyed. The present leadership thus ends up expelling hundreds of primary divisions as well as urban and regional organizations faithful to the SKP and lays the foundation for hundreds of new organizations to replace them.

The battle for the SKP continues. Ousting the membership will not be simple. And no matter what the end result is, the SKP's tradition, intellectual-political line, internationalism, and best organizations will be linked with the communists persecuted by the current leadership.

The difficulties which have been caused so far by the Aalto group's activity are just a prelude. And this group is dragging down not only the SKP but also the SKDL.

The intention is to disband the SKDL--which ought to be a broad organization for teamwork among progressive forces--and purge its candidate lists in keeping with the pattern of the Aalto inquisition. The goal is to deliberately inflict on the SKDL the most crushing election defeat in its history.

Such a course of conduct cannot be justified on any reasonable grounds. It is therefore imperative as well as possible to continue the battle against the disbandment of the SKDL and its electoral alliances.

The eight district organizations, the party regulars active in the class struggle, and the other forces of unity in the SKP do not let themselves be intimidated or provoked. They carry the SKP banner high and do not grant the demolishers and liquidators the pleasure of seeing them abandon the party's defense. They emphasize their work on behalf of peace, the workers' interests, and the friendship between Finland and the Soviet Union. They are more convinced than ever before that proletarian internationalism is a guarantee of successful activity. They protect the viewpoints of communist activity under all circumstances in our country.

Now the immediate tasks of the party are to strengthen the struggling SKP organizations and TIEDONANTAJA, to do elucidative work among party members and outsiders, and to prepare for the October meeting to be held in Lahti.

Renewed Attack Against Aalto

Helsinki TIEDONANTAJA in Finnish 16 Oct 85 p 2

[Editorial: "Aalto on the Sidelines']

[Text] After the expulsion of the eight SKP district organizations, Chairman Arvo Aalto seemed particularly ruffled when a television news reporter had the audacity to ask whether the increasingly critical situation of the Communist Party would force the SKP onto the sidelines of domestic politics.

The reporter's question was a legitimate one, however, even though Aalto did not want to answer it. The fact is, you see, that through his measures to break up the SKP Aalto personally and--according to him--the current SKP and SKDL leadership as well already have been and are being driven deeper and deeper onto the sidelines of both domestic and foreign politics. The current sideline position is actually assuming a permanent form.

It is obvious, of course, that the disbandment measures--measures which harm the labor movement and the entire democratic movement along with it--on which the current SKP leadership group under the guidance of Aalto has embarked do not increase the influence of the SKP and the people's democratic movement but, on the contrary, reduce it. A reduction in the influence of the people's democratic movement alone is enough to drive Aalto deeper and deeper onto the sidelines of domestic politics.

The number of those in the labor movement and in the democratic forces who are ready to collaborate with the demolisher of the labor movement is smaller and

smaller. It is this way because, by dissolving the SKDL's electoral alliances in the upcoming parliamentary elections, Aalto impairs the strength not only of the communists and people's democrats but also that of the entire Left. As a result of this, the possibility of forming a coalition government--one which would use its power to weaken the position of the monopolies--between the Center and the Left is also reduced. The nonsocialists' top strategists are already saying openly that together with a cutback in the Left's overall support it is time to seize the prime minister's chair and the post of leading government party from the Social Democrats.

Nor is it a secret that Aalto's relationship with the Soviet Union and the communist party which runs our neighboring country is, as Aalto himself says, "full of tensions." The relationship--if such a thing any longer exists at all--could sooner be called miserable. This fact also has its own effect on the activity of those Finnish forces in whose opinion any kind of friction, "tension," or discord must be eliminated from Finnish-Soviet relations in the name of Finland's national interests.

The conclusion which more and more people are drawing these days is, of course, that Aalto himself, and no one else, is to blame for the isolation that is becoming deeper and deeper.

Stalinist Paper on PRAVDA Support

Helsinki TIEDONANTAJA in Finnish 17 Oct 85 p 2

[Editorial: "Whom PRAVDA Supports"]

[Text] Once again, after a news item about the expulsion of the SKP district organizations was published in PRAVDA, the organ of the Communist Party of the Soviet Union, most of the news media rushed to report that the CPSU supports the "party minority." The Finnish News Bureau correspondent in Moscow, even otherwise known for his inept articles, declared the same thing.

The substance of the CPSU standpoints should be familiar to everyone, however. Year after year--and now as well--the CPSU gives its backing to all those communists who work on behalf of party unity and in opposition to the breakup of the SKP. Thus the CPSU does not support some mystical "minority" and similarly oppose a mystical "party majority."

In the current situation it is generally misleading to divide the SKP membership into a "minority" and a "majority." It is useless, namely, for anyone to imagine that a majority of the Communist Party membership would give its support to Aalto's measures to break up the SKP. Aalto knows this, too, and for that very reason he refuses to submit the party's fate to a vote by the members.

Actually, by claiming that the SKP membership is split into a "majority" which backs Aalto and a "minority" which backs Sinisalo, one merely desires to conceal the fact that behind the measures to disband the party is only a narrow group of officials whose status has long been uncertain due to the group's rightwing policy.

For the same reason, a portion of the news media does not want to convey the CPSU standpoints the way PRAVDA reports them but instead adds its own--often erroneous--commentary to them. It is no wonder that in the secret memoranda of the current SKP leadership group published by TIEDONANTAJA so much emphasis is placed on the support given to the disbandment measures by the "nonsocialist public."

POLITICAL

FRANCE

UNIONS PLAYING WAITING GAME UNTIL MARCH 1986

Paris LE MONDE in French 18 Oct 85 pp 1, 20

[Article by Michel Noblecourt: "Trade Unions Wait for Second Ballot"]

[Text] Everything is happening as if the trade union leaders, having decided that the Left has already lost the election, are postponing their hopes or their demands until the period after March 1986.

The resumption of activity following the vacation period in 1985 has been decidedly quite curious. The strikes at the Renault automobile plant tarnished the image of trade unionism a little further, when it was already considerably damaged, by giving the impression that the actions taken by the trade union apparatus took priority over the aspirations of the workers.

The central organizations of the trade unions seem to be more active in the corridors than on the center stage as if, with the exception of the CGT [General Confederation of Workers], they had few illusions regarding their ability to mobilize the workers. Jobs are the priority generally shared by the trade unions. However, neither government policy nor an eventual round of negotiations at the national level leave much room for hope for new solutions to the problem of unemployment.

Everything is happening as if the trade union leaders had already "buried" the government of the Left ahead of time, postponing their hopes or their demands for the period after March 1986. To some extent they are preparing for the second round of the elections.

Only the CGT provides an exception to this attitude of waiting for something to happen. By trying to continue a strike at Renault which enjoyed very little support, by keeping up the tension at the Ducellier Company or in the shipyards, and by preparing for a national action day on 24 October, involving all categories of workers, the CGT is continuing to harrass the government of Prime Minister Fabius, which is attacked in the same way as the employers.

Paradoxically, the CGT is "sparing" or at least ignoring the present opposition, avoiding comment on the economic and social proposals of the RPR [Rally of the French People] or the UDF [French Democratic Union]. The explanation is simple: in its view Fabius and the Right amount to the same thing.

As a member of the central bureau of the CGT said: "The policy carried out by the government in many areas is practically that of the Right." Michel Rocard, he continued, is correct in saying that the PS [Socialist Party] has changed since 1981. It has become, purely and simply, a "renegade."

Thus, the leadership of the CGT is making the same political calculation as the PC [Communist Party]: when it comes to choosing your adversaries, it is better to confront the real Right, in all its aspects, than the false Left reflected by the policies of the PS government. In accordance with the theme developed for the 42nd national conference of the CGT (see the 11 April issue of LE MONDE) the CGT will not call on its members to vote for this or that party in the legislative elections. It will simply recall its point of view, which rejects both the policies of the PS as well as those of the opposition.

The CFDT [French Democratic Confederation of Labor] is not trying to make this a tension-filled fall, preferring to watch for possibilities for opening negotiations at all levels. It has denounced the electoral illusions of the CNPF [National Council of French Employers]. It has raked the government of Prime Minister Fabius over the coals, but without heaping abuse on it. To some extent it has already turned the page on the past.

A few months after a congress which did not put an end to all of its internal disputes, the CFDT has placed itself in a position where it can live with a political change in the government. In that sense, in the minds of Edmond Maire and Jean Kaspar, it is important to emphasize the image of a central organization which is fully devoted to trade union questions and which has, in effect, drawn back from supporting a government with which it was formerly on close terms.

The 1986 elections are the occasion for completing an evolution which is already well under way.

In June 1985, at the CFDT congress in Bordeaux, the priority of collective bargaining agreements over legislation was affirmed. At the beginning of December the leadership of the CFDT intends to have its national bureau accept the idea of not explicitly advising its members to vote for the Left in the legislative elections, although this has not been definitely decided in any way.* Instead, in this view, it would call on its members merely to make their decisions on the basis of the programs of the various parties concerned.

This is a position which should not be confused with any kind of neutrality. Edmond Maire stated on France-Inter [radio station] on 7 October: "We would be back in the same mess with those who tell us that they should be able to fire anyone at all." Instead, the opposition will be urged "not to act like

the sourcerer's apprentice" and not "to allow itself to be carried away by any desire for revenge."

Maire: 'Depoliticize the CFDT Image'

Such a step would make it possible for Maire's trade union to "depoliticize" its image even more (but not to make it "apolitical") and to make it look like a partner acceptable to the government, whatever its complexion. In fact, Maire's objective is clear: pursue the objective of "modernization of the trade union movement, whatever the future government majority may be."

Since 1981, and above all since the negotiations which broke down on the issue of job flexibility, the CFDT has succeeded in reaching almost the same position as FO [Workers Force] in negotiations with the CNPF. In case of a change in the government, the CFDT does not intend to lose the ground it has gained and does not wish to see the employers and the government again carry on a dialogue exclusively with FO, rather than seek the support of a trade union which would have linked its cause to that of a defeated political party. Such a position has aroused controversy within the CFDT, where certain figures fear that too many concessions will be made to the employers to retain their "support."

FO has fewer concerns on this subject. Traditionally, the trade union organization led by Bergeron has not advised its members to vote for any party in elections, and its members have been divided almost equally between Left and Right. Its practice regarding collective bargaining agreements is too well established for it to fear that a change in government would raise questions concerning them. In Bergeron's view the question at present is simply to find "subject matter" which would not cause it to undermine the very foundations of its trade union practice inadvertently.

FO: Attentive Ears?

Reflecting a moderate attitude toward Prime Minister Fabius--except with regard to social security, where it doubts the sincerity of his cost computations--FO is also preparing for a change in government. It is thus significant that, in his speech on 5 October, Bergeron addressed himself for the most part to the employers and to the opposition, asking them not to "go too far" in their "frenzy" for change. Bergeron thinks that he will always be heard with attention by the employers or by RPR leader Chirac. However, once flexibility and deregulation are the principal slogans for the CNPF as well as the opposition in 1986, the FO is considered too traditional and too defensive for anyone to expect such changes from it.

The CFTC [French Confederation of Christian Workers] and the CGC [General Confederation of Managerial Personnel] have a particular feature in common in that most of their members are inclined toward the opposition parties. As is its custom, the CFTC has decided to stay out of the politicians' battle. Jean Bornard, the president of the Christian trade union, is using this situation to make sure that he is heard by the opposition on the following themes: don't go too far in the direction of social deregulation and toward policies of

economic ultra-liberalism. There should therefore be no question of continuing to apply the principle of the SMIC [Interoccupational Minimum Growth Wage], the social security program, the "monopoly" exercised by the trade unions, or the rules on laying off workers. If these should be questioned, the CFTC will conclude that it must join the other central trade union organizations in the "camp that rejects" the opposition.

Concerned with establishing the foundations for a "new type of trade unionism," the CGC has resolutely placed itself in a different position, more open to economic modernization and to social flexibility. Favoring a prudent form of denationalization of the economy, the CGC, under Paul Marchelli, would accept a certain amount of deregulation, once collective bargaining policy is strengthened, with labor and management replacing the state, for example, in handling questions concerning the SMIC or rules for laying off personnel.

However, there has been little room for adaptation to the situation since Marchelli made public a "negative, overall view" of the policies of Prime Minister Fabius, although he welcomed this cabinet at first. However, he distrusts an opposition which he often fought against when it was in power.

Everything is happening, therefore, as if the trade unions, are faced with a challenge to their position in the eyes of public opinion, following the emergence of a movement aimed at a reduction in the influence of the trade unions. With some concern the trade unions ask themselves about how much room to maneuver will be left to them in case there is a change in government, particularly regarding possible action to limit the trend toward economic liberalism which is gaining strength in society. All conservative attitudes are a disservice to them. Every bold attitude sows trouble in their ranks. A cabinet minister has commented: "The trade unions are standing on shifting sands. Each time they try to get ready to move, they sink another 30 centimeters in the sand."

* On 7 October Daniel Croquette, secretary general of the Confederal Union of Engineers and Managerial Personnel of the CFDT, stated to the press that his union "should not adopt a partisan position by calling on its members to vote for this or that party."

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POLITICAL

FRANCE

DOUMENG'S OPERATIONAL METHODS, CORPORATE CONNECTIONS NOTED

Zurich DIE WELTWOCHE in German 3 Oct 85 p 29

[Article by Pierre-Francois Chatton: "A Communist with Capitalistic Flair"]

[Text] An Eccentric

The European Community to him is a "terrible" association, membership in the Communist Party of France a "moral must." But when it comes to selling EC agricultural surplus to the East plagued by supply shortfalls, 66-year-old Jean-Baptiste Doumeng is always in on it. With the motto "business is business", in recent decades he built up a worldwide business empire.

During his official visit to Paris in the coming days, Soviet head of state and party chief Mikhail Gorbachev will not only meet with the cream of French politics. The name of Jean-Baptiste Doumeng is probably also on his visitors' list. Undoubtedly, the name is unknown to Soviet citizens. But whenever that communist country's citizens--ever plagued by chronic shortfalls in supplies--get some butter or beef, Doumeng in all probability is involved.

His compatriots call him the "Red billionaire." The 66-year-old from the South of France knows better than anyone how to make a lot of money as a communist pike in the capitalist carp pond. The most recent example: In mid-September, the Soviet Union signed an agreement for delivery of 175 million tons of beef. Agent and supplier: Doumeng. The buyers in Moscow pay \$ 175 million for the supply, the EC head office in Brussels subsidizes the deal with \$ 280 million. The winner: Doumeng and his firm Socopa, Europe's largest meat trading company.

Socopa bought the meat at a 20 percent price discount and sold it to the Russians with a rebate of 60 percent of the original producer price. Of course, he does not make up the difference himself; that he collects from Brussels as export assistance--profitable lunacy of a European economic community which at the moment is sitting on 800 million tons of unsalable beef and is happy about every gram it can sell off.

Long ago, Doumeng discovered capitalist surplus as a source of personal wealth and brought it into an unusual tandem with his political opinions.

The son of a poor farmer from the vicinity of Toulouse, who left school at age 12 and joined the French Communist Party in 1935, travels around the world in his private jet, meets with heads of state, does business with noted pillars of capitalism, and likes to talk at length about his communist faith. A rich eccentric. "The fact that I belong to the CP is a question of morality, and obligation toward the community. It is neither my intention, nor do I have the means, to free the world from capitalism."

Which is quite understandable in view of the pleasures which life has to offer a billionaire. Therefore, he has projected what is politically desirable far into the future: "The theory that human wealth brings the communist system in its wake will be realized in 100 or 200 years."

Until this comes about, Doumeng enjoys playing middleman between West and East. The heart of his empire is Interagra Inc., founded in 1955, specializing in international trade of agricultural commodities. The house motto: "In the service of cooperation in the world." Doumeng holds 50 percent of the shares, and 30 percent are in the portfolio of UCASO, a French association of agricultural cooperatives. An independent partner? Not so: the 250,000 UCASO farmers are under the direct control of the "Red billionaire." Among other places, Interagra has offices in New York, Houston, Geneva, Vienna, Mexico, Buenos Aires and Hongkong; in Moscow, Budapest, Bucharest, Berlin and Prague. The U.S. business magazine BUSINESS WEEK considers him one of the best global specialists for trade and barter deals. The man who trades Romanian butter for Algerian oil and then sells it to the Vietnamese for a third product.

A business in which discretion is spelled in capital letters. This, also, Doumeng has mastered like no one else. Whether it is grain, wine, meat or cement, the Frenchman obliterates his traces masterfully, as Jacques Lamalle, author of a book on Doumeng, points out: "Interagra (Doumeng) imports sheep from Romania as sole importer, sells them to France-Ovins (Doumeng) or to Socopa (Doumeng). They deliver the animals to the butcheries of CED (Doumeng), which in turn deliver the meat for further processing to the Societe de Restauration Interco (Doumeng)."

Doumeng calls his own a network of at least 20 firms. In addition to Interagra (sales: about 7 billion francs), Ipitrada (turnover of 420 million francs), Jacques Estrel (fashion house) and the charter plane company Uni-Air are a part of it. There are also 20 more enterprises with which the busy communist is associated.

Actually, the career of Doumeng, who lives on a luxurious ranch in the southeast of France and in Paris stays only at the noble "Plaza-Athenee" (probably the only luxury hostelry in Paris where the communist daily paper L'HUMANITE is available), started quite by accident. Together with a business partner in his home village of Noe, he had arranged the export of milk cows to Algeria. At the beginning, it seemed like a losing venture for Doumeng. But when his partner died and left him his fortune for want of offspring, Doumeng rid himself of his debts at once. What was left he invested in importing Czech tractors, trading them for French potatoes.

His golden nose for finances he acquired from Charles Hilsum, manager of the Northern European Commerce Bank (Moscow's bank in Paris). The latter opened up many markets for him in the USSR and China.

A Faithful Friend of the House of Rothschild

But not everything went always according to the wishes of the clever East-West dealer. Only a short time ago he received a refusal from the Soviet Union. It concerned construction of 10 animal feed factories at 14 million francs each. The Russian company Technopromimport gave the contract to Swiss Buehler-Miag.

"Business is business." Doumeng also had to take shelter behind that banal motto whenever the media suspected political machinations behind the chickens or beef front quarters being sent to the Soviet Union. It was said that, under this cover, the Kremlin was in truth and deed financing the Communist Party of France and had holdings in Interagra. These claims could never be proven, however.

On the other hand, Doumeng never shied away from making a pact with the devil, if necessary. This happened when, in 1969, he founded the Compagnie Europeenne de Distribution (CED), together with exponents of the capitalist system, the banking houses of Rothschild and Louis-Dreyfus. "The Rothschilds are the only ones to correctly understand the future as I do. I looked in Europe for new sales outlets for perishable foodstuffs. Neither the farmers nor the Rothschilds take offense at my political opinions. They are interested in sales. So am I."

The results prove him right. CED, a 50-percent subsidiary of Interagra, attained a turnover of 560 million francs last year. When it became a matter of nationalizing the Rothschild bank, Doumeng even jumped over his political shadow and personally helped out the famous family by buying 15 percent of the Stern bank (which had been taken over by the Rothschilds). With Louis-Dreyfus, also, Doumeng gets along extraordinarily well. They are sharing the cake, so to speak; while the first work the former colonies with a market-economy system, Doumeng takes care of the socialist regimes of Algeria, the Congo, Mozambique, etc.

But Doumeng's favorite playground was and still is the European Economic Community. In the 1970's, among other things he sold thousands of tons of butter to the Soviet Union and thus helped to reduce the mountain of butter. His trick, which he also used again last year: he sells 200,000 tons of butter for \$ 800 per ton. That is \$ 400 below the world market price, and \$ 1,000 below the EC price. As counter-delivery he receives from the Soviets snails, frogs, mushrooms and fruit pulp which he exchanges somewhere else for other things, adding a lucrative commission.

Financial Difficulties and Tax Evasions

So what does it matter that CP adherent Doumeng utterly damns the EC? "It is a dreadful mixture of egotism, capitalistic exploitation and currency

monopoly, the whole decorated with incapable bureaucrats and beyond any control of national political ruling powers. We can no longer support all that," is how the daily newspaper LE MONDE quoted him in 1982.

Contradictions are quite obviously a part of his personality. At one time he is being accused of receiving confidential information from Moscow about upcoming grain purchases, which he then immediately turns into money on the stock market as futures contracts. Another time he is being suspected of using falsified forwarding documents which are played into his hands by friendly nations. There are also rumors of financial difficulties of his cooperatives which are supposed to have led to debts of 1.2 million francs at the Bank Credit Agricole in Toulouse. Tax authorities also have a difficult time with him. He declared his personal income during 4 years as having been 134,000 francs, which corresponds to the salary of a teacher. The tax office corrected the data to read more than 100,000 francs of profit per month. And that was 10 years ago...

Doumeng does not place much importance on such animosities. Because, when the President of France travels to Moscow, one turns to him. And hardly any large export order to East Europe makes it without his help. And that, in turn, is a matter of reciprocity. Doumeng, the convinced communist, so far has been less harsh in his criticism of the socialist Mitterand government than the CP of France. He recently announced on the radio that "when citizen Doumeng voted for Mitterand on the second ballot, he expected something much worse than what has now happened."

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POLITICAL

GREECE

PAPANDREOU'S PERCEIVED GOALS IN RECENT REORGANIZATION

Athens ANDI in Greek 11 Oct 85 pp 14-15

[Article by Akis Kosonas: "One Party, One Government And One Man's Rule"]

[Text] Since a few days ago the PASOK has had a new executive bureau. The old "close and worthy friends and beloved colleagues" (as the premier put it) have been replaced by others "because the Movement needs to be modernized."

This modernization, beyond the organizational restructuring of the Movement, means in practice for the former members of the EG [executive bureau] that today they are simply members of the KE [Central Committee] which is subject to the judgment of the higher organ, the EG and the leader.

The "separation of government and party" has taken place and thus we must conclude that Messrs. Laliotis, Gennimatas, Rokkos, Kharalambopoulos, Simitis, V. Papandreou are accountable to Messrs. Souladakis, Mamalakis, Khatzopoulos et al. That is, the latter can--as members of the highest PASOK organ--recommend the dismissal from the Movement of the former officials of the EG who are today members of the KE. They have the right to invite not Minister Gennimatas but the "simple soldier of the Change" Gennimatas to justify himself. Decisions about "Minister Gennimatas" or "Minister Simitis" are made by the premier, A. Papandreou, who remains the leader of the PASOK.

The foregoing constitutes a first point to be noted. But the direct result of it is the remark that if the premier, who is also the leader of the Movement, deems that he has made a wrong choice and dismisses Mr. Mamalakis, e.g., from the EG, such a decision would have no repercussions. Or at least far more insignificant ones than if, e.g., he dismissed Mr. Laliotis from the EG.

Consequently, with the "modernization" Mr. Papandreou achieves two aims simultaneously:

First, the undoubted weakening of his natural heirs (by depriving them of the leader's "image" lent them by their continued presence in the EG--Laliotis, Gennimatas, Kharalambopoulos, Moralis, Avgerinos have been part of it since 1974).

Second, he ensures unconditional obedience from the new members of the EG, to the extent that their careers and their future in the party directly depend

on Mr. Papandreou. The premier asked for productivity from the people and he will certainly get it from the new executive bureau of the PASOK. What he may have to face is the excessive zeal that the new officials are expected to show.

One Man's Rule

If there is a problem in all this (and there rather is) it cannot be found in the fact that Mr. Papandreou decided to separate party and government, choosing new "worthy colleagues" to replace the "old ones." It is the right of every political leader to choose and decide, even abusively.

The problem is posed by the very officials who were replaced. They all accepted the "divine" decision uncritically (at least publicly) and three of them gave replies which, were they not to be interpreted as sarcastic, surely verge on the ridiculous. To Nikos Kiaos' question as to how they felt about their being replaced, Mrs. V. Papandreou answered "Good," Mr. Laliotis said "I am deeply touched," while Mr. Gennimatas declared: "Why? Am I not a member of the PASOK? Is there anything more wonderful?" (ELEVTEROTYPIA 28/9).

Although the writer has no intention of giving a psychoanalytical or semantic explanation of those answers, we cannot help noting that Kostas Laliotis is content with displaying humor and that Yorgos Gennimatas appears to be far more moderate than necessary. And there is a possibility--and all the better for him--that there is also "something more wonderful than belonging to the PASOK." As for Vasso Papandreou, she may have felt good indeed.

But beyond the humor or bitterness elicited by those dismissals, there is a political issue which cannot be obscured by machinations. The question which arises has to do with Mr. A. Papandreou's tendency (which he recently displayed once more) to weaken all those officials who gain popular or party support or both. Before they were removed from the EG, G. Gennimatas, K. Simitis and K. Laliotis had already been "undermined" by the premier himself through the ministerial seats he assigned them:

K. Laliotis had to take on the most unrewarding ministerial role, since every government spokesman has to cover up the mistakes, the oversights and the improprieties of the entire government, while to G. Gennimatas again fell the task of implementing the ESY [National Health System], going after doctors, truckle beds in hospitals etc.

Theoretically, K. Simitis was promoted since he took the place of the former "czar" Gerasimos Arsenis. But it is obvious that measures on the economy--measures which affect the lower classes--are ascribed to him, something which the premier naturally knew before entrusting the Ministry of Finance to him.

G. Arsenis, who was responsible for the entire economy, found himself already outside of government since July and was not deemed suitable for the EG.

However, he became a deputy of the state. And here we must note that the premier did not give him an eligible position in the Kefallinia combination (Mr.

Arsenis' birthplace) or in Athens (if one were to claim that Ant. Tritsis gets "tapped" in Kefallinia). Ger. Arsenis was put on the slate of the state, being thus honored by the leader of the PASOK for his services, just like Mr. Mavros or Mr. Psaroudakis. In this simple way, Mr. Arsenis was deprived of the possibility of developing or cultivating already existing relations with the lower classes.

Sequel, Succession And Congress

It is apparent that popular discontent has been directed toward the former, the until recently strong men of the PASOK, and it is obvious that had Mr. Papandreou wished to protect them he would have kept them in the party's highest organ. But he gave preference to "brand new ones," officials who not only had not made any contribution to the government's endeavors but who are, furthermore, unknown to the people.

From that standpoint, Mr. Papandreou may be trying to eliminate his own insecurity, by weakening his most likely successors but he unwittingly promotes insecurity among the citizens, who wonder: "What is to happen after Andreas?" Only a few days ago everybody spoke of Simitis, Laliotis, Gennimatas. Of whom can they speak today, with succession on their minds (whenever it occurs): Of--in every respect worthy but unknown--Soulanakis, Karavelis and Skandalidis?

Of course, quite a few speak with assurance of Akis Tsokhatzopoulos (since the premier "permits" it).

Mr. A. Papandreou stressed that a member of the EG who would be at the same time a member of government should be retained as a link between the government and the party. "And this could be no other than the minister to the prime minister."

We can only conclude that the premier made Mr. Tsokhatzopoulos minister to the prime minister, knowing in advance of course that the link could be no other than the minister to the prime minister. That is, A. Tsokhatzopoulos was "promoted" from the start, from the moment the premier formed the government. And to this is added an unknown additional detail. Mr. Tsokhatzopoulos was destined for his ministry of today since 1981, but Mr. Papandreou was made to change his mind at the last moment (in the early morning hours between 18 and 19 October, according to rumor) by Menios Koutsoyorgas.

12278

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POLITICAL

GREECE

COMMENTS ON CHAMBER ACTIVITIES, CONSTITUTIONAL REVISION

Constitutional Revision Reportedly Postponed

Athens ENA in Greek 3 Oct 85 p 11

[Text] "Kosta, we all wish that no harm will come to you, not to even a single hair. I fear, however, that if you steer for a congress so soon, there will be no hair left on your head." This is the forecast-warning Evangelos Averof levelled at Kostas Mitsotakis, according to ENA information, at the stormy meeting of the ND political bureau last Friday.

This was the most critical moment of the meeting, as the leader of the ND realized that out of the five "around the table," at the political bureau, Sot. Kouvelas--the most powerful and significant--was on his side. The other four (G. Rallis, Evang. Averof, I. Varvitsiotis and Than. Kanellopoulos) had just completed a "philippic chorus" against K. Mitsotakis' declarations on the topic of spying, accusing the leader of the ND of "inane handling" which made it easier for A. Papandreou to disorient public opinion with regard to the real issues and the government's specific responsibilities."

These criticisms also included some hints about the aims that could be served by an escalation of political tensions after the elections, since the tone K. Mitsotakis had imposed during the election campaign was clearly lower key and milder. Indeed, this had caused displeasure among the "hawks" (with Evang. Averof at their head), who were asking for a hardening of tactics and the fashioning of "conditions for a break" with the PASOK."

Naturally, those hints heightened the annoyance of K. Mitsotakis, who considered that the party's top officials suspected him of shaping the tactics of the New Democracy with an eye on his own problems within the party rather than on interparty disputes."

K. Mitsotakis' fears about a "hostile atmosphere" at the political bureau were confirmed a few minutes later, when the same "majority group" opposed the scheduling of the congress for February, as he himself had proposed, offering a three-month postponement. Evang. Averof, I. Varvitsiotis and Than. Kanellopoulos asked for a longer delay, suggesting April or May of 1986, using arguments to the effect that: "Prospects for confirming at the Congress the cohesion and strength of the party have now faded, after deputies reneged

or became independent, after members left en masse, and with the picture of disintegration the ONNED [Youth Organization of the New Democracy] presents. Psychological unity has been shaken within both the parliamentary group and the party mechanisms. Thus, calling the congress hastily might increase intra-party frictions and open Aeolus' bags of the winds." At this point Evang. Averof issued his warning about the dangers which the leader of the ND runs if the Congress takes place too soon.

K. Mitsotakis' reply was approximately as follows: "If, as you claim, psychological unity has been that badly shaken within the party, then I view this as an additional reason to hold the congress a moment sooner, to clarify the situation."

It seems that this reply took everyone by surprise, and even more so Evang. Averof and G. Rallis, who as former leaders of the party are particularly sensitive, as well as feeling responsible for maintaining unity within the New Democracy.

This is how G. Rallis' conciliatory intervention at this point, which may have forestalled a new internecine and "quite bloody" clash, is interpreted. The former leader of the New Democracy asked everyone to agree to only a three-month postponement of the congress. Still expressing doubts, however, as to the possibility of completing the necessary procedures within the time limits K. Mitsotakis promised, he advised the leader of the ND not to tie his hands with a set date. The other members of the political bureau agreed with this last only to find out a few hours later that when K. Mitsotakis announced to the administrative committee of the party definite dates, the leader of the ND had not taken into account the advice of the political bureau.

After all this, it is apparent that the temporary truce, about which ENA wrote in its previous issue, becomes even briefer since the congress, which remains the landmark of intraparty developments in the ND, has been postponed for three and not six months. Furthermore, what should worry K. Mitsotakis above all else is an improvement in the relations between G. Rallis and Evang. Averof, which was noticed by everybody at the latest meeting of the political bureau. Thus, Evang. Averof's warning about "the hairs on K. Mitsotakis' head" now takes on a greater significance...

Papandreou's Reported Presidential Ambitions

Athens I VRADYNI in Greek 2 Oct 85 p 20

[Passages enclosed in slantlines printed in boldface]

[Text] Mr. A. Papandreou's intention to leap over to the presidency, when he deems the time to be ripe, is now beginning to become clear. And in any event before the end of the present parliament's term.

Reliable political observers noted this yesterday, on the occasion of the government spokesman's announcement to the press that: "As soon as the plenary sessions of parliament begin, the parliamentary commission that will elaborate the resolution on a constitutional revision, passed by the previous parliament, will be formed immediately.

The same observers focused their attention on the word /"elaborate"/ and stressed that with it "the government reveals one of its big secrets." Because it appears determined not just to limit itself to reapproval of the provisions approved and voted on by the previous parliament, subject to revisions, but to proceed to change them.

However, constitutional experts whom the VRADYNI consulted declared that the government does not have the right to propose modifications on previously voted provisions nor does parliament have the right to vote on modifications.

The only thing government can do and parliament accept with an absolute majority of the total number of its members (151 deputies) is to reject one or more of the provisions voted on during the first ballot (7 May 1985).

Constitutional experts stress that the constitution (article 110, paragraphs 2 and 3) is quite clear on this matter, defining the aim and the limits of the first and second ballots for a revision of the constitution.

Consequently, the present parliament merely /"decides"/ through its votes but /"does not elaborate"/ any further on the provisions to be revised that were already voted on during the first ballot.

With the proposal that was voted during the first ballot the president of the republic was stripped of his most significant functions, which were transferred to the premier.

This happened because Mr. Papandreou's initial scheme was not to go on to the presidency. However, now that this scheme has changed (which can be seen from the tendency to modify the revision proposal) it is inevitable that Mr. Papandreou would want as president of the republic to retain the prerogatives which he initially decided to take over as premier.

And this can be done through another process: if parliament doesn't vote (a PASOK majority is enough) for those provisions which stripped the president of his most significant functions.

Preconditions

Naturally, the same observers add, a decision of Mr. Papandreou to go on to the presidency has to be accompanied by some preconditions, which according to them are:

1. Mr. Sartzetakis' resignation before the end of his five-year term (that is before 1990). And, they note, the two must have already agreed on this during their recent multiple meetings, encounters for which no explanation was given when they took place.

2. Obtaining 3/5 of the votes in parliament (180 deputies) in the third vote, dissolving it and repeating the ballots, whereupon 151 votes are enough in the second ballot (following the elections) and a relative majority in the

third ballot. Today the PASOK disposes of 161 votes but, by conceding simple proportionality or some system close to it, Mr. Papandreou can hope for the support of both the KKE and the independents, whereupon obtaining 180 votes will be a relatively simple matter.

In this light, some phenomena of the country's political life are not incomprehensible. Such as the maneuvers of Mr. Papandreou himself inside the PASOK (the most recent being the restructuring of government--the exclusion of Arsenis, Lazaris and others--and the dismissal from the PASOK executive bureau of some of its top officials) which create /centrifugal tendencies/. As also the creation of the DI.ANA [Democratic Renewal Party] and of the new leftist party of Filias, Intzes and Evangelinos.

12278

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POLITICAL

GREECE

BIOGRAPHIC DATA ON PASOK'S NEW EXECUTIVE BUREAU

Athens EXORMISI in Greek 4 Oct 85 pp 11

[Article: "The New Executive Bureau. Ten New Faces at the Top of PASOK"]

[Text] Ten members of the Movement were elected last Saturday by the PASOK Central Committee to replace eight regular members of the Executive Bureau and two alternate members.

These changes were carried out according to the principles and preconditions of the separation of government and Movement, as laid down in a special intervention by the president of PASOK, Andreas G. Papandreou.

The new faces received the following votes:

| | |
|--------------|-----|
| Giotas | 100 |
| Karaveli | 79 |
| Mamalakis | 77 |
| Papoutsis | 108 |
| Skandalidis | 96 |
| Souladakis | 88 |
| Sotirlis | 92 |
| Khatzopoulos | 73 |
| Piperias | 20 |
| Karamanou | 21 |

Alternate members:

| | |
|------------|----|
| Givalos | 89 |
| Kypriotaki | 78 |

Akis Tsokhatzopoulos--

Born in 1939 and studied civil engineering and later engineering economics in Munich.

He remained in Germany because of the dictatorship and there became a member of the National Council of PAK [probably Panhellenic Liberation Movement].

In 1974 he returned to Greece and took part in the foundation of PASOK. Since then he has been elected continuously to the Movement's Central Committee.

In October 1981 he was elected deputy at-large, and in 1985 he was reelected as deputy from Salonica.

Since 1981 he has served successively as minister of public works, minister to the prime minister, and minister of labor.

Today he is minister to the prime minister.

Giannis Alevras--

Respected today by public opinion and the parties as president of the Chamber of Deputies, he began his political activity at an extremely early age when he was imprisoned for his democratic sentiments during the Plastiras-Venizelos revolution in 1935.

Intense union activity followed, and he created the Federation of Greek Bank Employee Organizations/OTOE, where he was continuously reelected president. He left OTOE to join with Georgios Papandreou and be elected deputy in 1963.

He was one of the first people arrested after the coup. During the dictatorship he was Andreas Papandreou's representative in PAK--Greece. Later a founding member of PASOK and a member of the Central Committee and of the Executive Bureau.

Khristos Papoutsis--

Born in 1953 in Larisa and an economist. During the dictatorship he was active through, but not a member of, various political organizations and particularly through the student movement, taking part in the occupation of the Law School and of the Polytechnic.

He joined PASOK in 1974 and in 1976 became a member and later alternate secretary of the Youth Committee. Since 1977 he has been a member of the Central Committee; in 1981-84 he was a member of the Executive Secretariat, and in 1982-84 secretary of the Organization Committee.

His activity in the student movement was crowned by his election as president of the Central Council of EFEE [National Student Union of Greece], and today he is a Europarliamentarian.

Stathis Giotas--

Born in 1940 in Amfikleia (Fthiotida), he studied law at Athens University and was a member of the Center Union Youth.

Parallel with his activity in university student organizations, he took part in the first Unyielding and in 1967 joined the resistance. He was condemned in 1968 by the Athens Military Court to 10 years' imprisonment. He was freed in August 1973.

A founding member of PASOK and member of the Executive Bureau 1974-77. Since 1977 he has been a deputy, and since 1981 he has served as minister of merchant marine and deputy minister of agriculture.

Kostas Skandalidis--

Born in 1953 at Kardamaina (Kos). A graduate of the School of Electrical Engineering at the National Metsovion Polytechnic and a member of the Polytechnic generation. In 1976 he became alternate secretary of the PASOK Youth Committee and in 1979 he was elected member of the PASOK Central Committee. After the 1981 elections he was named to the Movement's Executive Secretariat. He was

one of those mainly responsible for the founding of the free Open University. He works systematically on press issues and writes articles for EXORMISI and other newspapers and periodicals. Since July 1983 he has been a counselor at the Ministry of Culture and Sciences for cultural decentralization issues.

Dimitris Sotirlis--

Born in 1941 in Karopletsi (Karditsa), he studied mechanical engineering at the Hanover Polytechnic.

He was active both in student organizations and in political ones as a member of PAK and later as a member of its Coordinating Council.

After his return to Greece after the fall of the dictatorship, he was a founding member of PASK [possibly Panhellenic Militant Trade Union Movement]--Mechanical Engineers, president of the Panhellenic Association of Mechanical Engineers and a member of the Administrative Committee of TEE [Technical Chamber of Greece].

Since 1977 he has been a member of the Central Committee, while earlier he was secretary of Hellenism Abroad, then a member of the Organization Committee, later of the PASOK Executive Secretariat.

Giannis Souladakis--

Born in 1941 in Vrakhati (Lasithi, Crete) and a civil engineer.

A founding member of PASOK and since 1977 a member of the Central Committee. Since 1976 a member of the Organization Committee, later alternate secretary of the Unions Committee and today secretary of that committee. From 1982 to 1984 he was a member of the PASOK Executive Secretariat. In the union sector he was a member of the TEE deputation, a member of the Administrative Council of the Association of Civil Engineers, and later first vice president.

Since 1982 he has been director general of EYDAP [probably Capital Area Water Supply and Drainage Company].

Karaveli, Tzeni--

In 1963 she joined the "Lambrakis Democratic Youth." After 1968 she took part as a founding member in the "Combatant" Resistance Organization until the overthrow of the dictatorship. She joined PASOK in February 1975 as a member of the Agioi Anargyroi Local Organization and after 1975 (fall) she worked on the PASOK International Relations Committee with responsibility for the Balkan countries. Finally, she worked on the Enlightenment and Peace Committees. At the 1977 conference she was elected to the Central Committee.

A graduate of ASOE [probably a mistake for ASOEE, Supreme School of Economic and Commercial Sciences], she attended seminars on social history in Paris at the Ecole pratique des Hautes Etudes.

Nomarch of the Dodekanisos since March 1984.

Vangelis Mamalakis--

Born in 1931 in Ag. Galini (Rethymnon) and a merchant.

Joined PASOK in 1974. Since 1979 secretary of the Irakleion Nome Committee.

President of the Irakleion Commercial and Industrial Chamber of Commerce and third vice president of the Union of Chambers of Commerce of Greece.

Giannis Khatzopoulos--

Born in 1943 in Oikhalia (Messinia). He studied at the Panteios School, where he was active in student organizations, at the Law School, and later he studied business administration in the graduate division of ASOEE.

He is a member of the 114 generation and was tried in 1962 for his participation in the struggles against the para-state of the Right and the electoral coup of 1961. For his antidictatorial activity he was arrested and detained pending trial in the army.

A founding member of PASOK and a member of the Central Committee since 1984. He served as city counselor after 1975 and today is president of the city council in Irakleion (Attiki).

Stefanos Tzoumakas--

Born in Katarraktis (Arta) in 1946. He was a member of the Committee to Seize the Law School in 1972. For his activity he was arrested and held at the Security. He was secretary of the Association of Law School Students (1974-78), president of EFEE in 1978. A founding member of PASOK, a member of the Central Committee, secretary of the PASOK Youth (1976-79). Deputy at-large in 1977 and deputy from Athens Region II. He is a lawyer.

Menelaos Givalos--

Born in Athens in 1944 and a civil engineer. A member of PASOK since 1974, he worked on the Enlightenment Committee from 1977 to 1981 and then became a member of the Executive Secretariat of the Movement.

At the Movement's Conference he was elected to the Central Committee and named alternate secretary of the Enlightenment Committee.

In the union sector he was a member of the Administrative Council of the Association of Civil Engineers and later vice president of the Association.

Maria Kypriotaki--

Born in Irakleion (Crete) in 1933. She studied medicine at Athens University and specialized in gynecological surgery.

She is a founding member of EGE [Union of Greek Women] and a member of the EGE Administrative Council, as well as a member of the League of Greek Female Scientists.

A member of PASOK since December 1974 in the Ilioupoli Local Organization and a member of the Coordinating Committee 1975-77.

Secretary of the Committee on the Woman Question. She was elected to Parliament in 1977 and 1981 from Athens II. Deputy minister of health-welfare 1981-85. Now deputy from Irakleio nome.

12593

CSO: 3521/19

POLITICAL

GREECE

BIOGRAPHIC DATA ON ND'S ELECTED POLITICAL BUREAU MEMBERS

Athens MESIMVRINI in Greek 12 Oct 85 pp 4-5

[Article: "Who Are the Six Elected Members of the Political Bureau?"]

[Text] And. K. Samaras. Deputy from Messinia. Born in Athens in 1951. Education: Economics (Amherst University [sic]), degree from Harvard Business School. Profession: Economist. Political career: Deputy from Messinia in 1977, 1981 (ND).

Ioan. K. Kefalogiannis. Deputy from Rethymnon. Born in Anogeia (Crete) in 1932. Married (Eleni Vardinogianni). Has three daughters. Education: Medicine (Athens University), doctorate in internal medicine (Athens University). Profession: Doctor. Political career: Deputy from Rethymnon in 1958, 1961, 1963 (ERE [National Radical Union]), 1974, 1977, 1981 (ND). Deputy minister of social services 10 Sep 76-20 Oct 77. Deputy minister of the interior 10 May 80-19 Sep 81.

Nik. I. Kleitos. Deputy from Serres. Born in Agios Khristoforos (Serres) in 1929. Married (Angeliki Konstantopoulou). Has two daughters. Education: Law and economic sciences (Salonica University). Profession: Lawyer. Political career: Deputy from Serres in 1974, 1977, 1981 (ND).

Sot. D. Kouvelas. Deputy from Salonica I. Born in Pyrgos (Ileia) in 1936. Married (Evfrosyni-Niki Alexaki). Has two sons and one daughter. Education: Civil engineering and law (Salonica University). Graduate education: Public law (Salonica University), structural preparation (scholarship from the French organization ACTIM in Paris). Political career: Deputy from Salonica in 1981 (ND).

Geor. I. Sourlas. Deputy from Magnisia. Born in Velesinos in 1941. Married (Panagiota Mitsogianni). Education: Medicine (Salonica University). Profession: Eye surgeon. Political career: Deputy from Magnisia in 1981 (ND).

Geor. A. Tzitzikostas. Deputy from Salonica II. Born in Athens in 1941. Married (Evfrosyni Trakaki). Has three sons. Education: Law (Salonica University), economics (University of Paris). Profession: Lawyer. Political career: Deputy from Salonica in 1974, 1977, 1981 (ND). Deputy minister of agriculture 10 Sep 76-20 Oct 77, deputy minister of coordination 29 Jun 81-19 Sep 81.

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POLITICAL

ITALY

L'UNITA VIEWS CRAXI OFFER OF INTERPARTY DIALOGUE

PM110918 Milan L'UNITA in Italian 6 Nov 85 p 1

[Enzo Roggi commentary: "Dialogue To Turn Over a New Leaf"]

[Text] The bogus calm which the five-party coalition imposed on political relations with smug arrogance and contempt for dialogue really does seem to have come to an end. So too does the arrogant denial of any role or future for the PCI and its proposal. Yesterday there was good evidence in parliament of what [PCI Secretary General] Natta called "a step forward, at least as regards an awareness of the real situation." Something has broken in recent weeks, as evinced first and foremost precisely by the wordy insistence with which [DC Secretary] De Mita urged his allies, especially the Socialists, not to budge an inch, to acknowledge the permanent nature of the DC's role as linchpin, and to rule out any thoughts of an unblocking of the situation.

Yesterday's events centered on Comrade Natta's keenly awaited speech. Nobody can claim that he evaded any of the essentials. The PCI secretary general defined the real topic of the debate right away: the exhaustion of a particular formula and policy and the necessary quest for what should follow this experience. The crisis has not been resolved. The most striking evidence of this comes from the fact that the prime minister's speech differed on important points of foreign policy from the document with which the five parties sought to close the crisis--a document which endorses a most contemptible compromise and which overlooks too many burning issues, even any reference to Craxi's first statements on 17 October on the events which sparked off the crisis. Pointing out this contradiction, Natta recalled, among other things, the document's nonmention of the NATO bases question and the issue of national sovereignty. But he also identified a worrying ambiguity in what Craxi had to say about "star wars."

These criticisms were further justified by the speeches by the DC secretary and the Republican representative, according to whom the issue of sovereignty and autonomy was in no way involved in the events in question: So neither Sigonella, nor the violation of half of our national airspace is of any consequence! What is the nature of our membership of the alliance? What is the basis of a real friendship with the United States? To these questions from the PCI secretary general the DC and PRI replied with the dogmatic platitude

that we must be loyal. Again with regard to a negotiated solution of the Palestinian question, the two government partners issued restrictive interpretations, thus confirming the persistence of a disagreement: For them, the PLO is not a real negotiating side but an additional force to which "Italy will grant no role." And to Craxi's emphasis the other day on Italy's vital interests in the Mediterranean area they replied by ridiculing the "illusoriness" of an autonomous role. These are some further examples of the petty nature of the epilogue to the crisis which confirm the truth of Natta's observation that if a coalition breaks up over such profound issues its reconstitution depends on imperative considerations rather than any strategic blueprint.

It is against this backdrop that the issue of the dialogue with the Communist opposition gains prominence. There was much interest in how the PCI secretary general would respond to Craxi's urgings. His response combined, as was necessary, amenability with rigor in defining the conditions for and substance of the dialogue. There have never been preconceptions on the PCI's part: This is not the problem. The problem is that in order for the dialogue to be a genuine one, it cannot omit to broach the general approach from which individual laws derive. Everyone knows that the PCI issues a precise verdict on the finance bill: It is socially unjust and incapable of tackling the alarming situation as regards public finance and the economy. Even if the thorough changes we have indicated were made to that bill many other measures would have to be taken to remedy unemployment, the budget deficit, the balance of trade deficit, and the absence of a program of innovation and development. Does the will exist to discuss all this with the PCI? The question does not seem to have been answered yet. The first indications from the DC throw cold water on the spirit of dialogue (De Mita offers us a dialogue on institutional regulations, as long as we do not presume to talk politics.)

This attitude on the DC's part is entirely logical: It did not want a debate on Craxi's report on the "Achille Lauro" affair, it curbed the crisis by dismissing or distorting the reasons behind it, it appeals for no change and particularly for the complete isolation of the PCI as author of an impossible proposal, it threatens its Socialist ally over its supposed temptations to "take the DC's place" if not in the immediate future then later, and to make itself clearly understood it brandishes the guillotine of early elections (which De Mita mentioned twice.) So it is understandable that the only kind of dialogue that could interest it would be a subordinate, insignificant, and superficial one. Craxi would do well to look at this aspect of the parliamentary scene.

So one cannot understand the reactions of some Socialist comrades to Natta's speech, which they accused of "continuism." Come now! The mainstay of his speech was precisely the point that the present framework will no longer stand up, that the dynamism of society must now be matched by dynamism in politics; and precisely to this end he cited the proposal of a dialogue on the program, the abandonment of the logics of predetermined alignments, and the reassertion of the method of a convergence on the most important issues of democracy and the nation--a method to which we adhered with absolute consistency during the dramatic days of the "Achille Lauro" affair. And it is astounding that [PSI Deputy Secretary] Comrade Martelli tried to include a groundless quip in his speech by accusing Natta of having failed to appreciate the government's good work because "he was in China at the time." Clearly if anyone should be blamed for being absent it is Martelli: He was not in the house when the PCI secretary general spoke.

POLITICAL

ITALY

INTERVIEW WITH NATTA AFTER CHINA VISIT

PM111042 Milan L'UNITA in Italian 27 Oct 85 pp 1, 20

[Interview with PCI Secretary General Alessandro Natta by Ennio Polito in Rome; date not given]

[Text] A few days after his return from China, brought forward by the government crisis, [PCI Secretary General] Alessandro Natta is back in the thick of Italian political affairs and party business. The records and notes of his meetings with Chinese leaders are still in evidence on his desk on the third floor of Botteghe Oscure [PCI headquarters]. Flanked by Antonio Rubbi and Renato Sandri, who shared the experience with him, he recalled the most significant moments of the visit.

[Polito] This was your first visit to the PRC and it was somewhat brief. But often one gains sharp impressions in such circumstances. What struck you most in your contacts with the country and the party?

[Natta] With regard to any country, but especially in the case of such a vast and complex entity as China, one must beware of presumptuously trying to understand everything on the basis of a brief glance. I can say that in my contacts with the CPC leadership group I was particularly struck by their open deliberations and their critical awareness of their party's history; by their "nonconfessional" ability to reject any formal defense of the good points and diabolization of the bad points which have characterized its past; and by their questing spirit based on sound principles yet entirely open to experimentation, to practical testing.

"To lie back on the bed of Marx' theory is a negation of Marx": This remark made by CPC General Secretary Comrade Hu Yaobang could sum up symbolically the strong commitment to the innovation and regeneration of society and the leadership groups characteristic of the present time in the life of the PRC.

What struck me about the country--from the Great Wall to the Bao San steelworks, and from the huge urban populations of Shanghai or Nanjing to the peasant tourists visiting the Forbidden City--was the sharp and striking juxtaposition of past and present, the vast scale of the problems, and the intensity with which day-to-day affairs are conducted, apparently combined--without their cancelling

each other out--with an awareness of a time scale reckoned in thousands of years.

[Polito] "Flowers in springtime, fruit in the fall" was the image which Hu Yaobang used to describe the development of relations with our party since Berlinguer's two visits. And Hu Yaobang spoke in terms of "abundant fruit." In your opinion, what are the essential achievements here?

[Natta] Starting with Berlinguer's first visit to China a positive development has taken place in relations and there has been a rapprochement of stances between the two parties. The principles on which CPC-PCI relations were restored have proved themselves. These are: both parties' complete ideological and political autonomy, strict noninterference in each other's affairs and deliberations [determinazioni], respect for each other's stance, and, at the same time, an open and sincere exchange of views.

[Polito] So are the gains basically methodological?

[Natta] I consider such a distinction difficult to make and, in the final analysis, inappropriate: Method, "procedure," in relations between communist parties is a fundamental condition and at the same time the result of a particular conception of the international situation and of the general tasks which it sets each party.

We reasserted that the PCI does not consider itself, and is not, a part of an international communist movement, if this definition is intended to refer to an organization with a leading center, its own mechanism, and its own strategy. And we reasserted that we consider antihistoric any direct or indirect appeal for and restoration of such a conception of the communist movement.

Of course Italian Communists feel part of the great tide which has left such a deep mark on contemporary history and which is composed of a number of ideological and political forces working and struggling on every continent to safeguard peace, for the peoples' liberation, and for the building of a system of international relations based on peaceful coexistence and a new just economic order within which the values of justice and equality can assert themselves freely.

I believe I can say that the Chinese comrades share the broad outlines of this viewpoint. Hence the method which characterizes our relations. Within observance of the principles I mentioned, they can become increasingly fruitful, in terms of the exchange of ideas and experiences and the quest for areas of agreement and understanding. This will benefit the cause of peace and also both countries' national interests and friendship between the two peoples.

[Polito] Concerning the international situation and China's stance in this regard, Deng Xiaoping seemed to me to be trying to place the emphasis clearly on their evolution from certain formulations still current in 1980, at the time relations were resumed. What is China's present approach to the issues of peace in general?

[Natta] China has radically altered its stance on the inevitability of war. The danger exists, but it must be combated by the peoples' pressure and governments' initiative. Peace can be safeguarded and China needs peace; peace is essential in order for it to be able to concentrate its energies and resources on development, on socialist building.

Comrade Deng Xiaoping reminded us that to this end China has already reduced its number of troops by 1 million.

I believe I can say that the Chinese comrades too are now sharply aware that peace, in this nuclear era, cannot be the result of the triumph of socialism worldwide but that is the prime condition for its advance. These are the essential reasons for the profound changes in Chinese foreign policy in recent years.

[Polito] In particular, how does China regard its relations with the United States, the Soviet Union, and Europe?

[Natta] It was confirmed to us that China is open to relations with the United States and is seeking friendship on the economic and cultural planes. However, while having dispelled once and for all the false hopes of some U.S. circles of "being able to play the Chinese card" against any other country, it stands firm on its criticism of any U.S. tendency to appropriate a world superiority, and it regards as prime issues to be resolved--for the sake of the complete expansion of bilateral relations--Taiwan, U.S. restrictions on technology transfers, and the major trade gap between the two countries.

We received confirmation of the desire to achieve a complete normalization of interstate relations between China and the USSR. In this connection I believe some significant things have been achieved (I have in mind, for instance, the accord signed last July between the two countries for a fourfold increase in their trade by 1990). However, the Chinese comrades stress the complexity of this process, since its complete fulfillment faces what they call "three obstacles" which need to be resolved first: the situation in Cambodia and Afghanistan, which need to be restored to the position of independent, neutral, and nonaligned countries; and the Soviet military buildup along the border between the two countries (and between the Mongolian Republic and China), which must be adequately reduced with a view to a complete normalization of Soviet-Chinese relations.

As for Europe, in the conversations we were told of China's great interest in developing processes of autonomy both in the East and in the West of our continent--a keen interest, I would say, and a different viewpoint with respect to earlier formulations, an entirely constructive approach, since there is no intention of interfering with either alliance.

As far as the Western countries, the EC, are concerned, they hope to see autonomy and unity, not directed against the United States but for the sake of the establishment of a new pole in international relations.

In short, we heard a declaration of the will of China--a country which asserts its membership of the Third World--to work for peace and disarmament, to oppose all forms of hegemonism, and rigorously to implement a policy of nonalignment, for the sake of the establishment of a balance of coexistence and real cooperation between the states.

[Polito] The Beijing talks also permitted an exchange of information on the new situations in which the parties are working and, in China's case, the program of reforms set out at the recent CPC National Conference. What can you tell us about it?

[Natta] The program of reforms set out or further defined at the conference, for socialist building along a "Chinese road," closely combines the objectives of the modernization, innovation, and material development of society with those of the establishment of new values, which the Chinese describe as a "new spiritual citizenship."

We observed a great boldness and direct awareness of real conditions, a great confidence in the path to be pursued, and an equally careful forecast of the constant adjustments and alterations that will be needed to convert the experiments into real results in line with their goals.

The solution of one problem poses new ones, on a vast scale: Consider the balance that needs to be maintained between the process of economic modernization (advanced technologies, and so forth) and the need to employ a work force hundreds of millions strong. Consider the efforts that will have to be made, on both the material and the cultural planes, to ensure that the "liberalization" of the agricultural economy does not ultimately cause the population rate to increase sharply (in view of the needs of the peasant family). Consider the battle to establish the value of equality among individuals--something quite different from the obsolete myths of egalitarianism--while at the same time restoring scope to the real market.

China is experiencing one of the greatest and most crucial challenges of our time, whose protagonist is a people who account for one-fourth of mankind, who occupy a vast territory--albeit much smaller than that of the USSR, Canada, or the United States--slightly more than half of which is uninhabited and uninhabitable, and who still experience terrible forms of backwardness.

Once again it would be presumptuous to put forward forecasts or to issue sharp verdicts. It is valuable, however--and not just for us communists--to assess the scale of the challenge and to appreciate, with solidarity, the whole boundless effort being made in terms of human liberation and national, social, and moral improvement. [Natta ends]

Last, we asked Natta his impressions of the Chinese comrades with whom he spoke. A very strong impression was made on all of us by our meeting with Deng Xiaoping, he said. The PCI secretary general recalled him being "lucid and vigorous" despite his 82 years, retaining "his characteristic teasing nature, evinced when he told us he no longer dealt directly with day-to-day affairs, whereas it was clear to us from his remarks [dal suo modo di

intervenire] that he still performs an essential role as a leader and point of balance."

What struck them about Hu Yaobang was "his extreme quickness of mind, the incisive nature of his involvement in all issues." They inferred that for him, as for all communist leaders, as Gramsci put it, "a considerable part of his work is devoted to preparations for his successors."

There were briefer contacts with Hu Qili, who saw the delegation off and who spoke briefly with Natta on the day of his departure. A man of 56, perhaps Hu Yaobang's closest aide within the secretariat and a member of the Politburo, he seemed to personify not only a rejuvenation of forces but "a new kind of cadre, with a background different from that of the comrades who emerged from the great liberation struggle and characterized by a very specific training and management experience."

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POLITICAL

ITALY

PCI LEADERS DEBATE INSTITUTIONAL REFORM

PM051257 Milan L'UNITA in Italian 30 Oct 85 p 3

[Report by Rocco Di Biasi: "What Kind of Institutional Reform: Ideas Compared"]

[Excerpt] Rome--"Is it not up to the left to raise the issue of institutional reform more forcefully than it has in the past?" It was with these remarks that [PCI Directorate member] Pietro Ingrao (who spoke first because he was suffering from influenza) opened yesterday morning's seminar on "the left-wing forces and institutional reform. The seminar, organized by the Gramsci Institute and the Center for State Reform, enjoyed considerable support from very prominent politicians, jurists, and experts, who discussed a broad range of topics and ideas.

"A new institutional compromise," Ingrao went on, "can now form the center of the left's political initiative. In which case, however, it is also necessary to consider the issue of a government that will shoulder these problems as a major issue with which to come to terms."

Can constitutional changes and the country's government be interlinked? How?

"It is possible to envisage," Ingrao said, "forms of understanding among the political forces that will combine the country's administration with the prompt reform of the constitution. In connection with this constituent phase we could consider the issue of a possible government hypothesis--that is, think in terms of a constituent government, as happened, to some extent, after the war."

This was Ingrao's attempt to answer the "paradoxes" brilliantly illustrated by Professor Zagrebelski in one of the opening reports: "The more Anthony thought he wanted to return to Rome," the constitutionalist said, "the more he realized he could not leave Cleopatra. It is the same paradox whereby the more talk there is about institutional reforms the less is done about them, since every force is afraid of losing something in the trade. But we must beware, because if reforms are said to be necessary but the consensus to carry them out is not found, the existing constitution will ultimately be undermined."

"It is true," Communist Deputy Chairman Giorgio Napolitano said, "that every political force may be afraid of losing something in the trade. But it is also

true that the maintenance of the status quo embodies a serious risk to the entire democratic system. Even the communist opposition could fear the loss of certain advantages, but for us too, as for others, a more suitable institutional political framework might emerge--a reduction of the number of members of parliament; the acceleration of the progress of legislation through parliament; the streamlining of legislation [delegificazione]; and possible corrections to the pure proportional system: All these could pose risks to the opposition. But they could also embody the advantages of a clearer definition of responsibilities, more sharply defined options, and, last, greater powers of guidance and supervision for parliament with respect not only to the executive but also to other currently unmonitored centers of power.

"But the Left's chances of altering attitudes and balances of power on these issues is partly linked to a greater capacity for concentration and choice. If," Napolitano concluded, "we continue to haul along a whole load of proposals for institutional reform, factors of resistance will prevail. It is necessary, instead, to proceed from the points on which agreements have been reached within the Bozzi Committee [of parliament on institutional reform] and to carry on from there."

Next it was PCI Secretariat Member Renato Zangher's turn: "Italian democracy," he said, "has shown itself to be blocked both in the field of institutional reforms and in that of government. Now the conditions for real institutional reform depend on a government formed on the basis of a program, which will succeed in giving priority to the issue of reform. This is the direction in which we must aim. We are emerging from a period of very rigid alignments--a rigidity that has harmed pluralism and that has been arrogantly extended to local councils. The same rationale caused the failure of the "Bozzi committee," with the attempt to impose decisions for ulterior motives.

"Now the five-party alignment is in a state of crisis. Even if it is patched up again it faces weighty problems (not only on foreign policy but also on the economy, economic policy, and democratic legality.) There is a chance of introducing elements of innovation, an essential part of which must be institutional changes. But the PCI must mobilize on these issues. There is still little interest, and a contribution to increasing it (by taking the issue beyond narrow meetings and committees) must also come from local and regional councils, which must start discussing the topics of institutional reform."

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POLITICAL

ITALY

BRIEFS

EXCLUSION FROM SHULTZ CONFERENCE--[Unattributed commentary] "Unlike all the other Italian correspondents in Moscow, L'UNITA's was not admitted to yesterday's press conference given by Secretary of State Shultz at the U.S. Embassy in Moscow. We do not know whether this was the decision of some stupid official or a political gesture typical of times which we believed were behind us. What is certain is that at the very time when there is so much talk about civil rights a L'UNITA correspondent has been denied by the Americans the right to information about the conversations between Shultz and Gorbachev and Shevardnadze. And it is equally certain that the appropriate bodies, whether diplomatic or professional, must approach the U.S. Embassy in Moscow to guarantee our correspondent that right." [Text] [Milan L'UNITA in Italian 6 Nov 85 p 1] /7358

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POLITICAL

NORWAY

POLITICAL CENTER OF GRAVITY MOVED FROM CABINET TO STORTING

Stockholm SVENSKA DAGBLADET in Swedish 12 Oct 85 p 2

[Commentary by Hakan Hagwall]

[Text] Everyday political activity has now resumed in Norway after the Storting election earlier this fall.

For the government this is accompanied by both encouraging and more somber reports.

On the one hand there are signs that the economic upturn is continuing. Employment is rising at a rapid pace and unemployment is falling, especially among the most affected groups, women and young people. Industrial production is increasing along with investments.

On the other hand the government can note that the shifts in voter opinion that came out in the election have continued. The government parties have lost a little more ground while the opposition has strengthened its position. This follows the familiar pattern; election trends intensify afterward. With 4 years to go before the next Storting election the current opinion polls are not much to worry about.

But the three-party nonsocialist government has other worries.

The election results mean that the center of gravity in Norwegian politics has shifted from the government to parliament. That is what happens when a government loses its majority. Those who were accustomed to making decisions on the cabinet level and then requesting Storting's approval must now get used to the fact that Storting really makes the decisions, requiring much more political effort there.

It is a problem for the government parties that they came close to totally draining their Storting groups of experienced and qualified people who were assembled in the government. Kare Willoch had to resort to giving an order so that his industrial affairs minister, Jan Syse, could leave the government and take on the heavy burden of acting as the Conservative Party's group leader in Storting. In that capacity Syse is responsible for producing majority support for a unified nonsocialist policy on one issue after another.

The Willoch government lost its own majority in the election. But the three nonsocialist parties are still larger as a group than the two socialist parties. However there is also the problem of Carl I. Hagen and his Progressive Party. The party was badly wounded in the election and is now no larger than two seats in Storting. Even so Hagen has a stronger political position now than he has ever had. One cannot abstain from voting in the Norwegian Storting; Hagen must either vote with the government or with the opposition. The two Progressive votes will determine which bloc wins.

The government bloc has still not really clarified its view of parliamentary reality. On the one hand there is little interest in including the Progressive Party in the government bloc. On the other hand the Progressive Party is evidently being counted on as part of the government's parliamentary base. The reason for this is that Hagen has always said that he would prevent the creation of a Labor government.

Kare Willoch says that the government cannot treat the Progressive Party any differently from other parties that are not part of the government; in other words no attempt will be made to tie government proposals to the Progressive Party. The middle parties have adopted the same attitude.

It will not be possible to just ignore the Progressive Party in Storting, of course. If the government does not take care of this unfortunate state of affairs the Storting groups will have to do so. Conservative group leader Jan Syse knows that and he has also indicated that he knows it. But Carl I. Hagen has replied that he does not intend to negotiate with Syse alone; if the government parties want to talk to Hagen all three parties must take part in joint discussions. The insult to the haughty middle-spectrum parties is obvious and deliberate.

Hagen has also demonstrated in other ways his power or at least his ability to complicate matters. For example Hagen refuses to agree to casting paired votes in parliament. (That is the same thing Olof Palme came up with in his rage after the 1979 election defeat.) Hagen has also shown signs of a completely irresponsible opportunism in connection with tempting spending demands from the Labor Party. All these Hagen maneuvers come under the heading of "operation chaos."

There have been some suggestions in nonsocialist circles that the Labor Party ought to help out in making sure that Norwegian policy is not dependent on the whims of Carl I. Hagen. This kind of mumbling is very reminiscent of the Swedish Social Democrats' so-called outstretched hand. In both Sweden and Norway the real intention is not much more than an attempt to avoid opposition. One cannot blame opposition politicians if they respond quite coolly to such overtures.

Thus it should be a lively, not to say hilarious Storting period, at least in the beginning. Parliamentary work will resemble a circus and it will be very difficult to implement a reasonably responsible policy.

Sooner or later Willoch will resort to a vote of confidence in order to achieve some discipline in Storting. It remains to be seen what difference this will make. It is not so certain that Storting will be impressed.

The Norwegian constitution does not allow the government to call for a new election, so the prime minister does not have that tool at his disposal. If Hagen pleases he can allow the nonsocialist government to fall and then overturn its successor, which would be a Harlem Brundtland cabinet, as quickly as possible. That would be a rousing conclusion to operation chaos. What would happen then? Would it be possible to put together any government that was capable of functioning after that?

It is Syse's job to make sure that Storting activity never gets to that point. One can think of more rewarding assignments.

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POLITICAL

PORTUGAL

PRD'S SUPPORT IN LOCAL ELECTIONS 'APOLITICAL'

Lisbon TEMPO in Portuguese 25-31 Oct 85 p 14

[Article by Julio Santos]

[Test] "We shall formally support the candidacies of persons connected with the CDS or the APU. We are especially concerned with the seriousness and the competence of those people. We believe that there are efficient and honest elements in the CDS, the PSD, the PS or the APU. We want to take politics out of local government." This was stated by Vasco Marques, member of the management and electoral techniques commissions of the PRD [Democratic Renewal Party] in reference to the strategy of his party vis-a-vis the 15 December local elections.

It is not often that a party has been able to keep a secret for so long. During the last 15 days, newsmen and observers have used rivers of ink in order to bring some light to the subject. But in vain. Every time we attempted to find out about the chosen names, the reply was simply a smile or complete silence.

At the beginning of this week, the secret was finally out. Of course, there were confirmations, but also many surprises.

If Vitor Alves had often been mentioned as a probable candidate for Lisbon, the PRD's decision to support candidates from other parties in certain localities was surprising, just as much as the decision to run in districts such as Loures, Setubal and Almada, was, especially after so many had bet that "the PRD will not run in localities administered by elements of the APU or where the communists are well implanted."

Vasco Marques was categorical: "We are not concerned with parties, but with the candidates' competence, given the fact that in local elections, the people vote first of all for personalities, with parties coming second. We believe that partisan politics must be taken out of local administration, because this is the first step toward decentralization. As for the fact that the PRD is favoring the APU by not running in certain districts, I believe this is an unfair accusation. It will be noted that in certain areas, our absence may favor the APU, but in others, we are actually providing an advantage to the PS or the PSD. For example, we are not running in Avis (APU), Castelo de Vide (PS), Fronteira (PSO), Moncao (PSD), Ferreira do Zezere (AD), Ribeira da Pena (AD) or Seixal (APU). We believe that all these districts have been well managed."

POLITICAL

PORTUGAL

DANGER OF DICTATORSHIP SEEN NOT IMPROBABLE

Lisbon DIARIO DE NOTICIAS in Portuguese 26 Oct 85 p 7

[Article by Joffre Justino: "A Slow Crumbling of the Regime?"]

[Text] Once again elections, once again a crisis, new parliamentary elections for 1986: this is what lies ahead for us.

Portuguese citizens voted for leaders within democracy, but for those leaders who personalized their policies on the base of authority. This can be the only explanation for the PSD's electoral victory and the PRD [Democratic Renewal Party]'s surprising victory.

Once again, a necessary policy of austerity resulted in a political defeat. Once again it is shown that it is very difficult, if not impossible, to conduct a policy of truth in a period of social and economic crisis. Once again, it is proved that in such periods, it is preferable to be a populist, to be a strong leader, to be recessive, be it only in the short term.

The PS paid the price. It's true that its electoral campaign was bad. From the beginning, it did not assume the leadership in order to overcome this parliamentary crisis. It gave in too easily to Gen Eanes' dissolution of the National Assembly, fearing, perhaps of being accused of reluctance to relinquish power. It gave in to the PSD by not accusing it, from the very beginning of the crisis in which the country is immersed since 1979, fearing, perhaps, the loss of an electorate that, over and above everything else, was not its own. It gave in by not making it clear, more firmly than ever, that an economic and social crisis cannot be overcome in 18 months.

But, in paying such a bill, the PS provides the justification for all other parties to refuse to make this country governable, stable, modern.

The PRD, a party representing 18 percent of the electorate, the country's third most important party in spite of its recent arrival on the political scene, refuses to participate in the government.

Again without paying any price, and even appearing as an opposition party, the PSD affirms that it can govern alone.

The PS, the real loser in these last elections, now confined to the role of an opposition party, and the APU, a loser as well, cannot under any circumstances assume a leadership role at this time, even in a subordinate position.

Also defeated, the CDS could only come forward in a government of the right and after its present leader's departure.

But then, how is it possible to govern?

Majority coalitions, at this time, can only occur between the PSD and the PRD, the PSD and the PS, the PSD and the APU.

The PRD rejects any coalition.

The PS finds itself in the kind of electoral position in which it is forced to reject any coalition if it does not want to take the road to Italianization.

As for the APU, it obviously cannot enter into a coalition with the PSD; the reverse is also true.

Only the solution of minority governments is left, with parliamentary agreements or without. But parliamentary agreements between the PS and the PSD became impossible after the last congress of the PSD and Cavaco Silva's victory. If such agreements occur with the PRD, government action will become as unstable as it already was between 1976 and 1979 in view of the clearly left-wing and anti-PSD characteristics of various PRD sectors (I am referring to the Pintasilgo sectors).

Without parliamentary agreements, the PSD becomes definitively a slave of Parliament, where it will surely meet a strong opposition from all sectors.

How About the Presidential Elections?

The PS lost all its unstable electorate in a single election.

Today, Mario Soares knows he can only count on 20 percent at most.

Lourdes Pintasilgo will get, at most, 33 percent--APU/PRD--and Freitas do Amaral about 38 percent.

All this, of course, presupposes the absence of, once again, an Eanist military, a conservative democrat who would then whittle the strength of the PSD and the PRD down to a minimum, or of a candidate of the PSD who would complicate things even more. Of course, Mario Soares can still hope for some votes from the area of the PSD, and even--who knows?--of the PRD and the CDS in the so-called useful vote. But, first of all, how certain can he be of that, and secondly, would he lose votes within his own party in favor of Lourdes Pintasilgo, at least in the first round?

But no matter who is the winner, it can be said today with absolute certainty that the party system has taken a turn for the worse. Any future president of the Republic will be tempted to decree early elections in 1986/1987 the latest.

Thus, the country lost twice with these elections.

It lost because a policy of truth became impossible with the defeat of the PS, no matter how many errors this party committed.

It lost because this country has become ungovernable, given the electoral results. This country has lost, but democracy has too. The phase of the slow crumbling of the present regime has already opened, and it should be said that this is happening against all present political parties and their leaders.

The present system may regenerate itself within the present political framework, by promoting a new generation of political cadres in some of the parties. Another alternative may be a re-grouping of some of the political parties within more or less stable electoral coalitions.

But what is most obvious, at this time, is the blockage of the political system. If this blockage prolongs itself, we will witness the slow end of this political system, the least evil of all in spite of everything, as a democratic historian would say.

Because the social-economic crisis has still not been solved, and let us remember Turkey to remind ourselves that dictatorships are possible in the West and in Europe.

More or less mitigated, with more or less participation, of course, but who would be satisfied with such a situation?

Obviously, no one.

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POLITICAL

PORTUGAL

POLITICAL SITUATION REVIEWED: SCENARIOS PRESENTED

Lisbon SEMANARIO in Portuguese 12 Oct 85 pp 4-5

[Article by Luis Quintao: "What is Coming"]

[Excerpts] What is left for us to do is look at the horizon for next year and attempt to grasp what can happen within the five groups represented in the National Assembly. Here are the probable scenarios.

PRD: Average Term Is Fatal

As with any other party of protest, the PRD [Democratic Renewal Party] does not have a clear program or an obvious ideology, nor even a tentative plan for governmental action. Nevertheless, it is the focus of the attention of all Portuguese, since it is headed, de facto, by a man who came out strengthened from the 6 October elections: Gen Antonio Ramalho Eanes. For a party of this type, strategic goals cannot be envisaged in the same way as would a party of a classical type, which goes through electoral rises and falls, but still maintains a constant basic nucleus.

Within the next year, the PRD will have to follow this direction:

1. Find a presidential candidate--military or civilian--who would be able to contain Maria de Lourdes Pintasilgo or persuade her to desist, while attracting voters from the right, especially the PSD; this candidate would permit the PRD to decisively influence the choice of the future president of the Republic, something that is essential to its overall strategy (faced with this candidate, the PCP would either fall silent, or would present its own candidate simply to express its presence, withdrawing in the end from the electoral campaign);
2. Project the image of a moderate party, "fastened" to the PSD within and without the Assembly, in order to do away with the idea of ties with the PCP and to prepare the moment when it could "pull the rug" from under the social democrats;
3. Seduce the PSD, offering the latter the most disinterested--albeit without obligations--cooperation in the months to come;

4. Assume key positions in public enterprises and in the state-controlled communications media through the support of the PSD, substituting for part of the socialist clientele (already on the night of 6 October, Herminio Martinho was subtly alluding to this condition);
5. Organize and implant itself carefully throughout the country, taking advantage of the enthusiasm created by the electoral victory;
6. Avoid any confrontation in the local elections, "fastening" itself to the potential winners district by district, without regard to party lists, and affirming that it is thus rewarding administrative competence;
7. Once a fitting president of the Republic is elected, he would choose the most appropriate moment for dissolving the National Assembly (in 1986 or even later) as the attrition of the PSD government becomes more and more noticeable;
8. At that time, the PRD would already have Gen Eanes as its leader and would be able, in the course of events, to go from 18 percent to being the first party, attracting votes from the left and from the right, a result of its "hot and cold" treatment of the PSD in the government.

This strategy, that would allow the PRD to become the first party, faces three obstacles:

-- Cavaco Silva's political-personal great enemy is Gen Eanes, and the PSD leader should not run the risk of trusting a president of the Republic who would use his power to dissolve the Assembly against the PSD itself;

-- Antibodies would very soon emerge within the PSD against the PRD, and they would be worse than those who dealt a deadly blow to the "Coalition of the Center."

-- The PS is not dead, and will be active in 1986 and later, much more than it is expected at this time.

However, timing is essential for the PRD. It does not need to hurry, but it cannot remain in an average-term context. If it does, the "jump" to become the first party will fail, as will the idea of a majority party and of Eanes as prime minister or presidential candidate in 1990 (or both, each in its own time).

PCP: Districts, Unions and Discretion

If the PRD is the partisan reality that will attract the most attention in the year to come, the PCP will obviously be the most cautious, the most discreet and even the dimmest. Gains were such and so obvious that it cannot put to flight the electorate to the right. That is why it will fall back, letting the PRD assume the role of "primadonna" on the party scene.

It will prepare for local elections until next January, trying not to lose some sensitive spots, even if, in so doing, it would be compelled to find "independent" candidates coming from different areas than its own.

It will mark its differences with the PSD with a virulence compensating for the kind attention bestowed by the PRD, but will not "accelerate" before the presidential elections.

It may have to present a "pro-forma" candidate, in order to desist in the end, if necessary. And also in order to pretend that it is not compromising with the PRD. Moreover, it would only resign itself to Maria de Lourdes Pintasilgo in the last analysis. It will go forward in the trade union area, attempting to undermine or to take advantage of the difficulties of the UGT, and will only become noisier if this were to become necessary for the dissolution of the Assembly.

There will be silence until then. And when this crucial moment will be at hand, it will be the PRD's turn to show itself moderate, leaving the unrewarding task to the PCP.

PSD: Government Is a Lot, but not Everything.

For the PSD, the year that has just started is certainly stimulating, but it will also constitute proof of its resistance, and of its ability to effect strategic corrections.

Cavaco Silva bet on the formation of a minoritarian and homogeneous government, as well as on the office of the prime minister to achieve the election of a president of the Republic whom he can trust. He now begins the implementation of this strategy:

1. Formation of a government at the end of October, minoritarian if possible, with the tacit approval of the National Assembly;
2. Keeping the "faithful" leaders and possibly using former AD ministers and independent personalities who have recently adhered to the PSD;
3. A moderate overture to independent politicians acceptable to the non-aligned left (which would eventually be to the liking of the Eanist sector); the inclusion of centrist personalities may not be too helpful and may limit the choices of the PSD;
4. Once the government is formed, a decision on the presidential elections: Cavaco Silva could not but support Freitas do Amaral, both because of ethical reasons--which are so much to his liking--and because he would not become dependent on the PRD and Gen Eanes;
5. A series of "electoral measures" between November and December in view of presidential elections; these would involve the economic and financial sectors (reduction of the interest rate, an impulse to financial markets, and perhaps a revalorization of the escudo);
6. An attempt to dominate the presidential elections, as a guarantee that the government will withstand the risk of a dissolution in 1986, with an eventual overture of a later date to a reshaped CDS;

7, A concern to avoid early legislative elections before there is an electoral improvement as a result of victory in the local elections.

It will be a troubled year, especially if a defeat is suffered in the presidential elections, but it will be important in the sense that it will allow the PSD to free itself from the parliamentary burden and the psychological conditioning of the PRD.

PS: Soares Continues the Fight

In 1983, Mario Soares proved to have seven lives. It remains to be seen whether he will have eight.

In any case, he will have to assume, once again, the PS' leadership, delaying the succession and continuing the fight, now centered around Gen Eanes and the PRD.

During the local elections, the socialists should be able to regain some of their electoral percentage because of the PRD' eventual absences and the alliances concluded with the PSD and even with the CDS.

In the year until October 1986, the PS will be faced with some priority tasks:

1. Change the leadership team; Mario Soares will have to call on some new names--both on the right and on the left--in order to change a list that was, to a certain extent, defeated by its "negotiating" image and by the "peddling of influence";
2. A reorganization, both at the central and the local levels;
3. A radical change of the dramatic image it left after its period in the government, taking advantage of the opposition desert to free itself of many negative factors acquired while in power;
4. Reinforce its presence in the UGT and among the young in order to counter-balance the reduction in its parliamentary efficiency;
5. Hang on to Mario Soares' candidacy, in an effort to focus on it the axis of its partisan renovation;
6. Take stock of the mass media, where manipulation failed, and where the PSD and the PRD will attempt to set up their areas of influence;
7. Bet, above all, on the crucial period from March to July 1986, during which the PS will, unlike today, have something to say if it acts intelligently until that time.

In sum, a three-month period of drastic change, a three-month period of long-term investing, a three-month period to be able to start the process of recuperation. It is only after this period that it will become apparent, whether conditions were created for the PS to be counted again in the July to October quarter. During this time, Soares will only have to be concerned with two personalities: Alvaro Cunhal and Ramalho Eanes.

CDS: How to Be Convincing

Morais Leitao

For the CDS, the era opened up by the 6 October elections is much more difficult than for the PS.

The need to replace Lucas Pires, to restructure the party and to regain some influence in local elections, as well as to find a new leader, points to the dilemma to convince Joao Moraes Leitao to face the vacuum:

If Moraes Leitao accepts the leadership position at the party congress in November, or even later, everything will be simple: the CDS will be able to restructure itself, to attract a goodly part of its electorate that took refuge in the PSD, to support with renewed energy Freitas do Amaral's candidacy and later, to form a parliamentary majority with the PSD.

If the congress is delayed indefinitely (with a temporary solution of the "troika" type), the CDS will face the local elections without a character of its own and will gradually change into a minuscule complement of the PSD on the right.

If another leader is elected--even Adriano Moreira (who has also suffered a degree of attrition by the force of circumstances)--the CDS will remain a small party that cannot grow on its border with the PSD.

Choices have never been so obvious: Moraes Leitao or temporary measures, delay and a crumbling away.

Meanwhile, the CDS must solve a last problem: its very serious financial situation, which is a true headache for any party leader.

PRD and PSD: A "Hidden" War

From now until the 6th of October 1986, time will fly, with two or three elections and a great deal of political tension.

On the surface, everything seems calm: the PSD sure of itself in government, the PRD affable and willing to maintain a dialogue, the PCP discreet, the PS beaten down, the CDS licking its wounds.

But deep down, reality is very difficult: Soares is determined to take his revenge on Eanes and Cunhal; the centrists are desperately fighting to avoid obliteration; the PCP is quietly celebrating its blatant victory; the PSD is pondering the costs of the electoral results, which are infinitely tasty at the first bite, but cruel and bitter at the third; the PRD is sharpening the knife for the moment at hand.

The "war" between the PRD and the PSD has begun. Under Alvaro Cunhal's egging on. The PS has been swept away from center stage. How long will it be before the PRD attempts to do away with the PSD? Will there be some innocent social democrats who will become distracted and will cooperate in this attempt?

POLITICAL

TURKEY

TCP STATEMENT DENOUNCES DEFENSE INDUSTRY FUND BILL

TA260830 (Clandestine) Voice of the Turkish Communist Party in Turkish 0500 GMT
26 Oct 85

[Turkish Communist Party Central Committee statement entitled "No to Arms Taxes and Armament; Our People Want Work, Bread and Freedom"--24 Oct]

[Text] The Evren-Ozal administration has submitted a new draft bill to the assembly. This new bill, which was kept secret until the very last moment, calls for granting the right to manufacture arms to domestic and foreign firms. According to the bill, the monopolies which are to participate in arms production will be supported by a fund to be established independent of the budget. There are now attempts to endorse this bill in a fait accompli. The fund in question, which will be about 300 billion lira, will establish increasing the income and corporation tone percent and by levying additional taxes on cigarettes, alcohol and fuel oil. Through this new arms tax, the Evren-Ozal dictatorship wants to levy additional taxes on the citizens and to fill the coffers of domestic and foreign monopolies. The generals who have made illegal profits from [words indistinct] have now directed their appetite to this fund.

The generals claim that they will establish a national defense industry. However, this is not true, they are lying. Their goal is nothing other than a few assembly establishments which will only increase dependence on imperialism and foreign debts. The new taxes are for the U.S. F-16 fighter planes. They are for the FRG Leopard tanks. In a bid to conceal their dark goals from the people, they are talking about the so-called Soviet threat; whereas the socialist countries are not threatening anyone; on the contrary, they are proposing peace and disarmament to all world countries. The Evren-Ozal administration is planning to further increase arms expenditures at the expense of the bread of the people, a people already existing on the poverty line. On the other hand, the Warsaw Pact member countries have submitted new, concrete disarmament proposals to the United States and other NATO member countries. These proposals, announced in Sofia on 23 October, are the following: The armed forces in Europe should be mutually reduced; as of 1 January, 1986, the United States and the Soviet Union should reach an agreement to freeze the number of their armed units and their arms expenditures and to put an end to developing new conventional weapons of destruction. This is the voice of those who aspire for peace, friendship, and cooperation.

The Evren-Ozal administration does not take into consideration our national security. They are serving the aggressive and adventurist goals of U.S. imperialism, the interests of domestic and foreign monopolies, and their own pockets. The number of those unemployed has far exceeded 4 million. Another 1,000 are joining the unemployed daily. Poverty has been on the rise for the last 5 years. The economy cannot be revived. The administration has closed its eyes to all these realities and wants to invest hundreds of billions on armament.

The Turkish Communist Party [TCP] believes that every effort should be exerted in order to prevent this great treachery. All our citizens, all political forces concerned about the future of the country, parliamentarians, all mass organizations, workers, intellectuals, youths, and patriotic officers should exert every possible effort as soon as possible in order to prevent such a dangerous move. In his recent statement, Dictator Evren tried to accuse all those opposed to increasing arms expenditures and to purchasing new arms of (?supporting) the TCP. Patriotic forces should not give in in the face of such threats. This is a matter of life and death. It is the duty of every patriot to put an end to this treachery. No to the arms tax and armament; our people want work, bread, and freedom.

[Signed] TCP Central Committee, 24 October, 1985.

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CSO: 3554/10

MILITARY

FINLAND

DEFENSE COMMAND ANNOUNCES CHANGE IN PERSONNEL POLICIES

Helsinki HELSINGIN SANOMAT in Finnish 26 Oct 85 p 13

[Article: "Career Advancement Accelerating Perceptibly for Officers Choosing Military Career"]

[Text] A plan for the development of a personnel system for the Defense Forces, which has been in the works for a couple years, has been completed at military headquarters. The plan contains, among other things, the basic policy lines for the training system, which the military intends to put in effect at the end of the decade. According to it, all those who have chosen a military career can advance all the way to the highest positions. The career advancement of officers will be accelerated, warrant officer training will be changed, and enlisted men will make up a professional group of military personnel with training equivalent to that acquired in civilian life and which will have its own conduit to military training.

According to the plan, the present ranks of warrant officers will remain as reservist military ranks from staff sergeant to master sergeant. The title of warrant officer will be eliminated and there will only be officers regardless of whether the individual has a college- or academy-level education. Only the collar badge will indicate the difference: the rosettes will be the same, but an officer with a college-level education will have double border and an officer with an academy-level education will have a single border.

New officer ranks will be colonel 1, which will correspond primarily to the international rank of brigade general, and second lieutenant. International relations are developing at such a quick pace that it has been deemed necessary to create a rank of an extraordinary colonel because of UN duties, among other things. The rank of ensign will be taken away from the Navy and in time will be changed to sergeant. The ranks of special officers would correspond to the military ranks of officers.

New insignia have not yet been planned, and it may be difficult to find models.

Doctor of Military Science

A doctor's degree in military science, which could be completed at the War College, would also be something new.

The Border Patrol will develop its personnel system to correspond with that of the Defense Forces.

If the changes are approved, the system will be developed in 1988, and it will be in effect with respect to its most essential elements by 1995. Its realization will mean an approximately 5-percent increase in personnel costs by 1995, or a full 30 million markkaa annually. Expenditures will result from the changes in the training system and adjustments to wages caused by these changes. Defense headquarters submitted the plan to the Defense Ministry on Thursday.

According to the plan, in the future military personnel will include officers, special officers, chaplains, and professional military personnel. The military ranks of officers will range from ensign to general, and they will be trained in officer training colleges and academies.

Officers attending training colleges will be trained more expeditiously than at the present time to become commanders of a wartime troop unit, battalion or battery, for example, and chiefs of peacetime units. They can advance to higher duties with additional training. The duties of a major will be added to the duties of an individual responsible for a basic unit or company.

The presently operating Cadet College, Air Force College, and Naval College would operate as officer training schools. The basic certification of officers equivalent to a degree from a higher educational institution would be accomplished in them, and a graduate from these schools would be a first lieutenant. It has not yet been decided whether the Naval College, Air Force College, and Cadet College will retain their names. Most likely, tradition, however, will weigh in favor of retaining the names.

An individual who has completed the supplementary course 1 in an officer training school will become a captain according to the plan. The alternative after this is to complete supplementary course 2 and become a lieutenant colonel at the most, or to study at the War College to become a major and advance to higher ranks from courses offered by the highest command. For example, the path to ranks of colonel and general becomes open only by completing courses at the War College and the highest command.

The possibility of obtaining a doctor's degree in military science at the War College is being prepared in connection with the plan.

A graduate of the officer's school, the present Officer Training Academy, would become a second lieutenant (presently a staff sergeant). Studies could be continued either by supplementary courses all the way to the rank of major or at an officer training college in accordance with the principles of the intermediate educational reform. This requires the passing of an entrance examination. A quota will be reserved for non-university students, as in other colleges.

The length of training at the college will not be increased. The training of officers would be arranged as a 3-year basic training, which would include a year of practical exercises.

The intent is to pay a per diem for the first year at an officer training college, after which a salary will be paid. A per diem is paid at the present cadet college, while a graduate of the Officer Training Academy, however, is paid a salary. This has resulted in the fact that some go to the Cadet College via the Officer Training Academy.

Professional military personnel would be comprised of present enlisted personnel. They would work in job leadership duties and responsibilities requiring vocational training and professional military skills. Civilian personnel would work in management and professional duties in accordance with their training.

The intent is to form the professional military staff from present enlisted personnel.

"Now It Is A Question of Quality"

"This is a general plan, in which the main policy lines have been strengthened. Individual points can be discussed," stated General Jaakko Valtanen, commander of the Defense Forces, who presented the plan on Friday. "In the past we were concerned about the number of personnel, now it is a question of quality."

An attempt has been made to take the educational structure of society into consideration, especially the effects of the intermediate educational reform and overall technical development. "When the warrant officer system was put into effect 10 years ago or when the elementary education of the basic non-commissioned officer corps was changed to conform to the comprehensive school system, it was observed that this was only a partial reform," stated Valtanen.

The most important purpose of the development of the personnel system is also to meet the needs of war and peace in accordance with the long-term objectives of the Defense Forces as well as to clarify the division of duties among the personnel groups.

"The personnel of the Defense Forces is the same as the civil service of the state. We must build an educational and training system that will make us competitive with others. The skill level of the college-level officer corps and the academy-level warrant officer corps must be raised," said Valtanen.

There should be no shortcuts in the training system from one group to another according to Valtanen, but the requirement should always be completed training from the previous level.

The Defence Forces have explained the definitions of levels. At the top is the highest command. The next in command is the combined staff of officers, which assumes the leadership duties of large groups of troops. Then comes the troop unit officer corps, for which a college level education is required. The basic unit level command or company and battery leaders would be trained

at the Officer Training Academy, and the professional military staff could be entered by means of completing a vocational training school.

The training system will be hierarchical and its influence will be extended to military ranks also. An officer graduating from an academy has a five-step ranking system from second lieutenant to major, an officer graduating from a college level institution has a five-step progression system also from first lieutenant to colonel. The system will also serve the assignment of duties in a mobilization army. General Valtanen emphasized the explicit need for a commander and command responsibilities.

The major problem according to Valtanen will be the interests of those already in the service, from whom different views are expected. The personnel system will fulfill the needs of the Defense Forces, but it will also represent a compromise with respect to the interests of personnel according to Valtanen. "A good personnel policy presupposes that the interests of personnel will also be taken into consideration. We have a desire to do this."

According to Major General Erkki Rannikko, chief commander of headquarters, the new system would make it possible to assign military personnel more quickly to the more demanding tasks. "We hope that the system will also increase the number of personnel," stated Rannikko.

Officers Are Cautious

The Officers' League considers the personnel plan to be headed in the right direction. The league council, however, emphasizes the unconditional elimination of the discrepancies in the present system before a new one is put into effect.

In the future plan the Officers' League wants to develop the officer training system and duties, toward which training is aimed, in particular. The title of officer must be retained in its present meaning, demands the league's council.

Behind these statements is, among other things, the fact that the Officers' League has confirmed that young officers comprise the lowest paid group in Akava [Professional League]. On the other hand, the command level is not compensated for duty at bivouac exercises, at which time a commander is the lowest paid man in the division, states Colonel Matti Lukkari, the league's chairman.

Warrant Officers' League Prepared

The Warrant Officers' League has adopted a cautious attitude toward the plan. The league's council is demanding, among other things, that the number of academy-trained officers not be reduced and that the present higher duties of warrant officers be retained among the college-trained officers. In addition the league's council wants guarantees that training channels will provide certain ranks and duty qualifications.

The league does not approve of the system's second lieutenant rank. In addition, the Warrant Officers' League emphasizes, among other things, the provision of supplementary training for those who have completed courses for lower ranks and for those special officers, who are lacking same.

MILITARY

FINLAND

NAVY TAKES DELIVERY OF THIRD HELSINKI-CLASS MISSILE BOAT

Helsinki HELSINGIN SANOMAT in Finnish 3 Oct 85 p 12

[Article: "Navy Missile Boat Named 'Oulu'"]

[Text] The Navy has taken delivery of its third Finnish-made Helsinki-class missile boat at Wartsila's Helsinki shipyard. The vessel that has just been delivered, one of the second mass-produced series, has been named the "Oulu," the name of the first mass-produced boat, delivered this summer, is the "Turku" and the name of the prototype vessel, which went into operation in 1981, is the "Helsinki."

Like the earlier produced vessels, the new missile boat will be equipped with Swedish RBS-15 SF naval defense missiles as its chief armament. The approximately 11,000-HP engines will, if necessary, propel the missile boat at a speed of well over 30 knots. The vessel's all-purpose gun is a 57-mm Bofors self-loading gun and its antiaircraft weapons are 23-mm Soviet antiaircraft canons.

The fire control system is produced by the Swedish Philips Company.

The new vessel was christened by the wife of the Armed Forces commander, Mrs Leena Valtanen.

A missile boat squadron, that is, four Helsinki-class vessels, has been ordered from Wartsila's Helsinki shipyard for the Navy. The last of these will be delivered in the late spring of 1986.

In its 1981 report the Third Parliamentary Defense Committee recommended that the Navy would need three missile boat squadrons equipped with naval defense missiles. Even before the Helsinki-class missile boats the Navy had a squadron of Soviet Tuima-class missile boats in operation.

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CSO: 3617/6

MILITARY

FINLAND

FIELD ARTILLERY UNIT GETS NEW DOMESTIC-MADE 155 MM GUNS

Helsinki HELSINGIN SANOMAT in Finnish 22 Oct 85 p 12

[Article: "Field Artillery Unit Received First New Domestic 155 MM Guns"]

[Text] Niinisalo--Four heavy artillery guns, developed and manufactured in Finland, were turned over to the Satakunta Artillery Regiment on Monday in Niinisalo.



A battery comprised of new domestic-made heavy cannons demonstrated its fire power at ceremonies for accepting the new weapons on Monday at Niinisalo's Pohjankangas.

The Defense Forces have concluded a 100-million markka agreement with Tampella for the procurement of the new 155 K 83 field artillery guns. The guns will be manufactured in Tampere. The last gun of the series will be completed in 1987.

In question is the most significant procurement of domestic guns for the Army since 1940.

The new 155 millimeter calibre field cannons have a range of 25 kilometers. Their range can be extended to even 30 kilometers with a special projectile.

The new cannon weighs 10.5 tons and it can fire eight shots per minute. A heavy off-the-road truck can pull the new equipment at a speed of 80 kilometers per hour.

The projectile weighs 43 kilos and a shell is not needed at all.

The process of developing a domestic field gun has been long. Tampella independently planned and built a prototype of the gun in 1974 already. Several changes were made to it during the experimental firing by the Defense Forces, and the procurement contract for the cannon series was signed in 1983.

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MILITARY

FINLAND

BORDER PATROL WEIGHING CHOICE FOR HELICOPTER PROCUREMENT

Helsinki HELSINGIN SANOMAT in Finnish 4 Oct 85 p 12

[Text] In the next few weeks the Border Patrol will be acquiring for its use a new Italian Agusta Bell-412 helicopter equipped for naval operations. A demonstration model equipped for military use has been in use by the Border Patrol since early this summer.

The Border Patrol staff reports that they will be procuring two more light twin-engine helicopters, that is, all told one for each coast guard unit.

The demonstration helicopter has been in use by the Border Patrol because the manufacturer was unable to obtain sea-rescue equipment for the already-ordered helicopter in time.

The latest naval operations helicopter will arrive in Finland on the basis of already-granted authorizations to order it. Ten million markkas, which will further be divided between the initial funding for the above-mentioned light helicopters and for the semi-heavy helicopters, has been proposed in next year's income and expenditures budget as initial funding for other helicopter procurements.

The Border Patrol plans to procure three semi-heavy helicopters and they would replace the Soviet-made MI-8 helicopters that are in the Turku Border Patrol squadron. A decision has not been reached on procurement of the helicopters nor on the type, but it is expected before the end of the year.

A helicopter committee appointed by the Interior Ministry has investigated Border Patrol helicopter procurements. Its assignment was to determine rescue-helicopter equipment, especially from the standpoint of naval operations and sea-rescue concerns, and the costs of operating and procuring different kinds of helicopters.

The so-called Temmes Committee was shown seven types of helicopters, some of which were light and some heavy helicopters.

The helicopter types were the American Sikorsky S-76, the Italian Agusta Bell-412, the French Aerospatial S-332 Super Puma and the same plant's smaller helicopter type, the Dauphine. In addition to the semi-heavy Super Puma, which received a great deal of attention in the press, the English Westland Sea King, of the same class and which that country's Army and Navy use on rescue-mission flights, was test flown and the possibilities of procuring that same plant's Westland VG-30 were investigated.

MILITARY

FINLAND

SWISS MILITARY JOURNAL APPRAISES ARMED FORCES' CAPABILITIES

Helsinki HELSINGIN SANOMAT in Finnish 24 Oct 85 p 13

[Article by Lauri Karen: "Swiss Journal Admires and Expresses Amazement at Finnish Army"]

[Text] Geneva--"Finland is secure and it gives stability to the endangered Nordic area of Europe," was the evaluation given by the professional Swiss military journal ALLGEMEINE SCHWEIZERISCHE MILITARZEITSCHRIFT or ASMZ in its most recent issue devoted to a presentation of Finland's Defense Forces.

The ASMZ's October issue on Finland gives a rather positive picture of our country's defense readiness and national defense spirit. Major General Frank A. Seethaler, chief editor of the journal, writes in an article resulting from a visit to Finland that "modern assault techniques and superiority in many respects remain deficient in such a terrain and against such tactics and such fighters".

Defense of Lapland Needs Improvement

Seethaler gives a lot of attention to the defense of Lapland as one of Finland's strategically most sensitive areas. In typically Swiss manner he deliberates the fly-over possibilities -- a problem which is the most serious defense problem for neutral Switzerland, which lies in the corridor between the Warsaw Pact and NATO.

According to his understanding, the defense of Lapp airspace would require immediate improvements for the reason that it is doubtful that over-flights can be prevented with the equipment currently in use in our country, but such operations can, indeed, be slowed down.

The Swiss themselves have 276 combat aircraft and 100 helicopters not to mention 840 tanks, 1,350 armored personnel carriers and 290 assault guns and various "barrels" numbering in the thousands for the defense of an area much smaller than that of Finland. Together they make Switzerland one of the world's most equipped defense units with respect to its area.

"Good Day, Lieutenant Sir"

The Finnish soldier seems to arouse the respect of the Swiss professional "as a sturdy, self-governing, and natural soldier".

"His down-to-earth patriotism seems to be unshakeable," writes Seethaler. Finnish military discipline somewhat amazes the writer for the reason that he continues to see in it Tsarist-era and Prussian traditions.

"When one hears the greeting 'Good Day, Lieutenant Sir!' being shouted out in front of the barracks, one can hardly believe one's ears," says the astonished Swiss writer.

Major General Gerard de Loes, who is responsible for Switzerland's strategic defense planning, recently stated in connection with a visit to Finland that in his opinion Finnish youth were downright "moving" in their patriotism, something which "has not been seen in Switzerland for 30 years".

ASMZ's short editorial also refers to the same in stating that "the prestige the armed forces is unswerving and the respect shown to the military leadership is high".

"It would not ever occur to a single Finn to question the historic services of their great war marshal or any other military leader of that era or disturb their final rest, as has become the fashion here."

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CSO: 3617/19

MILITARY

FINLAND

BRIEFS

COMMANDER WARNS OF CAPABILITY DECLINE--At the inauguration of the national defense course in Helsinki on Monday Armed Forces commander Jaakko Valtanen expressed the opinion that it would be more difficult to maintain the Armed Forces' ability to perform during the next decade. "In our opinion, in the 1990's it will be very difficult to maintain the ability to perform required by the tasks assigned to the Armed Forces and to carry out the general conscription aimed at mobilizing our total reserves," Valtanen said. According to Valtanen, only half of the funds earmarked for equipment procurements can at the present time be used to eliminate shortages. The total volume of Armed Forces equipment is so calculated that it is sufficient to equip the entire reserve force. According to Valtanen, it is worth about 25 billion markkas and the value of new procurements will be nearly twice that amount. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 1 Oct 85 p 9] 11466

CSO: 3617/6

MILITARY

NETHERLANDS

PROBLEMS CONTROLLING ARMS EXPORTS TO IRAN, IRAQ

Amsterdam DE VOLKSKRANT in Dutch 10 Oct 85 p 8

[Article by Frans Nijhof: "Arms Exports Hard To Check Up On. Government Makes It Possible To Evade Trade Restrictions"]

[Text] Arms manufacturer Hollandse Signaal Apparaten BV (HSA) in the city of Hengelo is appearing in court on Monday in Almelo. The accusation: export fraud and falsehood in documentation. HSA is suspected of having sold spare parts for military goods to the Iranian navy without having an export license to do so. The maximum punishment Public Prosecutor B. van der Lugt can ask is to have HSA closed, based on the stipulations of the Strategic Goods Export Decree and the Import and Export Act, in combination with the stipulations of the Economic Crimes Act. Frans Nijhof takes a stroll through the back alleys of the Dutch arms export trade.

Hengelo--The box of spare parts was discovered in September 1984 by an alert customs official at Heathrow Airport near London, England. The Dutch government was informed, whereupon the Economic Control Service began an investigation. "Spare parts for military goods, with Iran as destination," the Service determined.

Just like Oldelft, which shipped night-vision equipment to Iraq via London, so too has HSA long used circuitous ways to get around political obstacles and sell sensitive equipment. Shipments go via NATO partners or the dozens of Philips daughter companies abroad, of which HSA is one. The Hengelo firm is thereby playing upon the confusion that arises from the present cabinet's two-track policy for the defense industry: stimulate and forbid.

The political backdrop against which the cabinet reviews arms exports is confusing and almost impossible to check up on. Just about all information on planned or completed arms exports is secret. This secrecy is demanded of the Dutch government by the buyers. What country's interests would be served if it became known what weapons system it possesses or intends to buy?

Parliament cannot appeal to article 104 of the Constitution (right to information). The secrecy requirement as defined in article 20 of the Import and Export Act supports the cabinet on this. Foreign Minister Van den Broek emphasized that for yet another time at the end of 1983 in the Chamber's Standing Foreign Affairs Committee: "Some tension may arise between the obligation to provide information, which by the way is also subject to limitations in its turn, and the article on secrecy in the Import and Export Act."

Protection

He continued: "The Dutch government wishes to provide its own industry with the protection which this industry can expect from government and which in practice all other governments provide. If we go further

in providing information than other governments, that means that we will be putting our own Dutch defense industry into a less advantageous position compared to its foreign competition."

This statement by the minister contradicts the note on Disarmament and Security which was agreed on by Parliament in 1975: "The Netherlands has a selective arms export policy, where considerations of peace policy prevail over strictly commercial interests."

The minister does not however permit strategic spare parts to be supplied to countries which are under an arms embargo. That brings him into collision with his colleague Minister of Economic Affairs Van Aardenne, who believes that as an arms exporter HSA must be able to supply spare parts even when the purchasing country is under an arms embargo.

Van Aardenne argues that such follow-up deliveries are part of ordinary trade and follow from the contract that HSA signed with Iran in 1974 before the Islamic Revolution broke out there. The country became involved in a bloody struggle with its neighbor Iraq.

In itself Van Aardenne's reasoning--and by extension, HSA's reasoning--is understandable. As the largest arms producer and exporter, HSA can compete with foreign arms suppliers only if the purchaser receives a contractual guarantee of spare parts supplies later. Who will buy a Philips television set if it has no guarantee?

Release Clause

No country purchasing arms will agree to a release clause in the contract stating that the guarantee ceases as soon as the country becomes involved in an armed conflict. After all, that is when the need for spare parts is greatest. And in the past HSA has never had problems with supplies of spare parts to politically sensitive countries or to countries involved in an armed conflict in one way or another. Argentina, Chile, and Indonesia were able to count on follow-up supplies from HSA.

Knowing this, HSA asked in vain for an export license to supply spare parts for the WM-28 fire control system that some Iranian navy patrol boats are equipped with. The boats in question are 12 fast patrol boats of the Combattante class (240 tons). They were built by the French shipyard Constructions Mécaniques de Normandie in Cherbourg.

There HSA began in 1977 to install the fire control system, advanced electronics that provide for accurate automatic aiming of cannons or rockets. The Shah's regime then ruling Iran had ordered the boats. They were delivered according to the contract. The last three boats, equipped with HSA equipment, were delivered amid international protest in fall 1981 to Iran, which had in the meantime been taken over by the ayatollahs.

In the following years the country threatened to gain the upper hand in the struggle with Iraq, thanks in part to western arms supplies. Because of the hostage crisis in the U.S. embassy in Teheran, France decided to sharpen the arms embargo against both countries in a European context, just at the moment when Britain was relaxing its arms embargo against Iran.

It is obvious that HSA, which in previous years had been able to send Iran the spare parts via NATO partner France without hindrance from the Dutch government, now had to send the shipments through NATO ally Britain.

NATO allies can supply strategic goods, including military equipment, to one another without export licenses. It is still unclear whether HSA supplied the parts under the NATO flag or via the Philips daughter firms MEL Equipment Co. and Graseby Instruments Ltd. in Britain. However it was done, the export

declaration gives Britain as the country of destination, omitting to add that Iran is the final destination. A mistake by HSA (falsehood in documentation) that was very convenient for the government.

With Iran listed as country of destination on the export declaration the equipment would never get out of the Netherlands. ("Consequently you never see a request for an export license to that country," Minister Van den Broek told the above-mentioned committee.) The general instructions for export declarations do not clear things up.

In the explanation to the entry "Country Of Destination," it reads: If the person requesting a license to export strategic goods has knowledge that the goods will be shipped onwards to another country than the country of destination, he must state that with the note "Final Destination."

The public prosecutor will have to prove HSA's knowledge next Monday. If the transaction took place via the Philips daughter firms in Britain, then it will be extremely difficult to prove. The general exemption for export licenses granted to Philips, including HSA, in the past by the ministries in The Hague makes it just about impossible to check the true final destination. The dozens of Philips installations all over the world are constantly supplying one another with all sorts of parts. On the customs form Philips only has to fill in the country of destination and under what number the general exemption was granted. Whether the country of destination is really the country of final destination is difficult to check.

Agreements

The many international Philips companies, most of which still operate under the name they had before they were acquired by Philips, have their own agreements with the government. That makes it just about impossible to check up on the so-called "end-use" certificates (statements by the country receiving weapons or parts for weapons systems that they will not be sold or exported). What Philips cannot export from the Netherlands, the many Philips daughter companies abroad can export.

Philips units that mainly produce military parts or weapons systems are located in South Africa, Australia, Belgium, Brazil, Canada, France, West Germany, Britain, Sweden, the United States, Italy, Hong Kong, Taiwan, Japan, Korea, Mexico, the Philippines, Portugal, and Thailand. An additional problem is technical developments in microelectronics. Parts can be linked with one another in various ways, which lets them be used in different ways.

Microelectronic parts used in automatic telephone exchanges or data transmission equipment are also used in advanced weapons systems. That too makes it difficult to check on parts being exported. It is premature to say the least of the Ministry of Foreign Affairs to deny statements by HSA workers that their company is supplying parts to South Africa for military use.

The Dutch arms industry is prospering. Annual exports amount to some 2 billion guilders, of which 70 percent goes to NATO countries. "We do in fact export twice as many flowers as weapons, at least in value," says Minister Van den Broek. Where the rest goes is unclear. The Central Statistical Bureau's statistics on that point are secret. Even checks after the fact--3 years afterwards for instance, as Parliament would very much like to see--are rejected by the ministers responsible.

The annual growth of 2.5 percent in this branch of industry is made possible in part by the secretiveness and the obligatory secrecy behind which the defense industry hides. The 5600 workers at Hollandse Signaal Apparaten in Hengelo hear that daily: "Don't blab about our business."

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MILITARY

SPAIN

CASA'S EXPERIENCING PROFITABILITY PROBLEMS, TECHNICAL SUCCESSES

Madrid ACTUALIDAD ECONOMICA in Spanish 7 Oct 85 pp 56-59

[Article by Javier Mellado: "Pearl Without Luster"]

[Text] For many years Construcciones Aeronauticas (CASA) was the mirror into which the rest of the state companies should have looked. Profits, growing employment, international cooperation, high technology...It was the pearl of the INI [National Institute of Industry]. It has been enough for the favorable international winds to cease blowing for the shortcomings of the aviation company to become evident.

Last June two C-101 aircraft of Spanish manufacture took off from the military airport of Los Llanos in Albacete. At the controls of the aircraft, which flew almost at the limits of their capabilities over the Castellano-Manchega plateau, were two skilled pilots: King Don Juan Carlos and King Hussein of Jordan. A few weeks later, Secretary of State for Trade Luis de Velasco, returned from Amman with a contract under his arm whereby the Jordanian Armed Forces pledged to buy 16 units of the C-101 model built by Construcciones Aeronauticas (CASA).

Not all companies have similar support when it comes time to sell their products. And this is not an isolated case: In his recent trip to the People's Republic of China, Felipe Gonzalez wrested only a verbal preagreement from the authorities of that country for the purchase of Spanish aircraft. Despite these salesmen, CASA is having largescale problems of profitability: It ended the 1984 fiscal year with 270 million in losses [presumably pesetas], the first red ink numbers to show up in CASA since 15 years ago when the then president of INI, Claudio Boada, decided to gather around this company the incipient and scattered Spanish aviation industry. In 1985 its negative figures continue to grow: According to the General Administrative Inspection Office, the total losses of the aviation company in the first quarter of the year amounted to 2,959,000,000 pesetas. In the same period of the previous year, losses had been 210 million.

The questions which have risen in the last 2 years about the operation of the company were beginning to find answers. Behind the apparent luster of the pearl of the INI there was hidden, up until a short time ago, a company with a deficient sales organization, a financial structure unsuitable for a company which has the objective of raising Spain into the most modern technological areas, and a body of personnel whose makeup prevented the incorporation of new production techniques without subjecting its labor force to always painful adjustments.

How has CASA managed to lose international markets, to have own resources of only 14 percent of its capital, and to have to subject 2,000 workers to employment regulation? The spending of a half million dollars trying to sell the U.S. Army a number of Aviocar C-212's in competition with England is not the only naivete committed by CASA. The sales strategy itself, from the beginning was aimed at some not too advisable objectives. Analysts of the sector have told ACTUALIDAD ECONOMICA that "one of the first problems of CASA has been the lack of definition as a company. If they wanted to create a company devoted to manufacturing aviation products, they should have thought that the most certain customers are always the national customers, for which reason preference should have been given to domestic demand, which however, has to purchase its aircraft abroad. If what was intended was to achieve a leading company which would serve to obtain an advanced technology and knowhow for Spain, something we lacked, then some products that now cost so much to sell should never have been initiated."

However, of the three complete aircraft developed by CASA, one of them has been a total success: the C-212. More than 360 units of the well-known Aviocar have been sold throughout the world, 42 of them to the United States. However, the C-212 was meant to cover the phase up to 1990 and its rate of production is beginning to decline; from the four units per month, which were made in 1983, production dropped to 1.2 in 1984.

The life of the C-101 is much more problematic. Competition in this type of aircraft is great. All developed countries have their own models, so there remains no other remedy than to turn our sights to the countries of the Third world. Moreover, according to the opinion of experts from the company itself, "the requirements of other countries make the C-101 have little effectiveness because it does not have ground attack armament installed."

Only Honduras, Mexico, Chile, the Spanish Armed Forces, and recently Jordan, have opted for this aircraft despite the constant innovations and improvements the Spanish company is introducing into it.

The Overseas Sweetheart

For its own third product, the CN-235, CASA chose collaboration with an Indonesian state company, Nurtanio, with which it has maintained relations since 1975. The idea seemed brilliant: An expanding zone such as southeast Asia with an economy based on raw materials, with petroleum and a geographic composition--a multitude of small islands--propitious for the sales of small airplanes. The reasons seemed to be enough at CASA.

However, the Spanish state company did not take all factors into consideration. In a market dominated by Swedish-American, Canadian and English aircraft, and above all, the French-Italian ATR-42, to try to sell an airplane of Spanish-Indonesian technology is not easy.

A good proof of that is the fact that of the 111 orders already received for the CN-235, more than 100 of them were obtained by Nurtanio salesmen. The Indonesians win by a huge margin and begin to set their mark. "They are no longer those Orientals who offered their manpower and a broad market in exchange for technical cooperation. Now, after 10 years of working with CASA, they have learned to make airplanes and if they are also the ones who sell them, it is logical that they demand a very different treatment from CASA than that they have received up to now," declare union sources of the Spanish company.

It is not strange, therefore, that the rumors of problems between Nurtanio and the INI company are commonplace in the meetings of aviation specialists on an international level. At the last international Aeronautics Show of Le Bourget held in Paris last June, rumors of tension between the two state companies were unceasing. That same month, the president of Nurtanio visited CASA in a trip that sought to be unnoticed. Last September, Fernando Caralt, the president of CASA, visited the Asian country. Meanwhile, the stories on the difficulties with Indonesia also traveled through the corridors of the Spanish Ministry of Transportation and the General Directorate of Civil Aviation.

The official story of the company has a very different argument. "We are convinced that it is a matter of a campaign orchestrated on an international level against CASA and Nurtanio because they find the CN-235 to be a difficult competitor," asserts a spokesman for CASA. This spokesman declares that "When CASA was like a little sister which made airplanes, but was not much of a bother, the company was viewed with cordiality, but now that it has grown and is on the way to competing directly with the stronger ones, they have initiated a campaign of discredit against it internationally."

According to CASA, "The only thing they have accomplished by spreading those rumors is that Nurtanio and we have intensified our cooperation even more."

However, union sources of the company have acknowledged to ACTUALIDAD ECONOMICA that "although we have no proof of what is taking place with Nurtanio, we know that problems exist and that the delay of almost a year in the CN-235 Project has the deterioration in relations as a backdrop."

The Double Line

Meanwhile, this new airplane, of which not a single unit has been delivered yet, has still not obtained the quality certificate which they are seeking from the Federal Aviation Administration of the United States, certificate which the C-212 has, for example. No order from the Spanish Armed Forces, which are evaluating the worth of the new airplane, has been obtained either, despite the efforts of CASA.

The system of cooperation with Nurtanio is another of the subjects which continues to be considered "an insane error" in some circles of society. "Actually," declare employees of the company, "no one has yet explained why a double assembly line has been made for the CN-235 when international collaborations are aimed precisely at lengthening the series which make production lines profitable. A dual production line means not only the duplication of expenditures in both companies, but all the costs of training, qualification of manpower, and so forth, are doubled in this case." However, the management of CASA does not consider this cooperation as a duplication of costs because the Spanish company only pays for the share accruing to it.

Optimistic Future

The future is viewed with optimism at CASA. In the short term, they assert that the 1985 fiscal year will be ended with nearly 400 million in profits. They blame financial difficulties of developing countries for the decline of the past 2 years and trust that domestic changes introduced by Fernando Caralt, particularly the organization of the company into six different divisions, will conclude by placing it on the right path. Worker representatives have shown much greater scepticism toward the future, particularly in the short term, even though agreeing that the company must be necessarily profitable, not only economically but also technologically. For some members of the committee of CASA "The losses of 1984 were greater than those announced, and this year we will be lucky if a very small profit is obtained." With respect to internal reorganization, it is believed that the changes have been more formal than substantial. The company does not publish an auditor's report in its memorandums, which for the moment prevents learning the real scope of a situation, which the workers perceive to be difficult.

What has undoubtedly been achieved in recent years is that CASA has become a preferential subject in the foreign trade relations of the Administration, which loses no opportunity for obtaining a sales contract for airplanes for Spain. At the same time, all sources questioned agree in saying that the poor relations maintained with the air force under the presidency of Enrique de Guzman have improved greatly in the new phase.

The increase in cooperation with the European Airbus consortium, the Arianne project, and Spanish participation in the European Combat Airplane (ACE), are without a doubt the paths along which the future activity of CASA must travel.

If, additionally, logic prevails and third-level commercial aviation--to be developed soon in Spain--which is nurtured by the CN-235's, CASA can return to being the pearl that the INI has always tried to see in this company. To achieve this, the Administration is determined to recapitalize the company and achieve a greater balance between own and foreign resources, for which reason the expansion of capital of 1,121,000,000 that INI realized in 1984 will be followed by another of like amount in the present fiscal year.

How Much has the Airbus Cost?

How much money has participation in the Airbus Project cost Spain? The numbers are split among the Ministry of Industry, which participates in the management committee of the European consortium through the CDTI [expansion unknown], the INI, which must reimburse CASA for the negative cash flows caused by Airbus, and the company itself.

According to sources questioned by ACTUALIDAD ECONOMICA, the state had only disbursed the money corresponding to the different expenditures on the different projects of the Airbus up to now. These same sources state that CASA has received no contribution from the administration to compensate it for the losses attributable to its participation in Airbus. Nevertheless, in the annual reports by CASA, year after year, under extraordinary results, there appears a sum under "debits" in which is shown the "payment for losses of Airbus Industrie" of the normally previous year. On the "credit" side of the extraordinary results is entered the same amount as "contribution by the Spanish State for the payment of Airbus Industrie losses." Does the state contribute these sums annually or does it not? The reports show on the assets side of the balance, "losses of Airbus Industrie," in the "other debtor state entities," column.

Since 1980 the entries in the extraordinary results as "contributions of the state for the payment of the Airbus Industrie debt," have risen to 4,943,000,000 pesetas. In the last report, 1984, the losses of CASA attributed to Airbus Industrie which figure in the balance, amount to 6,104,000,000 pesetas.

At the same time, the government has approved credits in favor of CASA to cover the losses for its participation in Airbus. The last one known was that of March 1984, which totalled 2.370,000,000 pesetas. According to a report presented to the Council of Ministers on that date, the credit was meant for completing the risk capital already covered by the state on the subject of Airbus, which amounted to 7,300,000,000 pesetas.

On the other hand, CASA had never made public the financial cost imposed by nonpayment or the delay in payment by the administration for its participation in the European project.

Tripping on the Lines

The decline in the activities of CASA in the past 3 years has been uncontrollable. In 1983, direct work in CASA declined 7.7 percent by comparison with 1982, and by 27 percent in external subcontracting. Last year they worked 3.8 million hours, which meant a 36.6-percent loss by comparison with 1983. To achieve this reduction, the regulation of employment of the 2,000 workers was resorted to and overtime was abolished. In the same year, hours subcontracted to auxiliary industries went from 500,000 a year before, to 75,000.

Productivity was even lower. Many of the hours counted as work were used in busy work activities. Among the workers of the factory of Getafe, it was remarked jokingly: "One must be very careful when entering the plant, one can trip over the lines indicating the entrance because of the many coats

of paint we have put on them." The workers had to be used at any task. This busy work still continues, particularly at the Seville plant. Despite the fact that this year an average of 38.5 hours per week was worked per worker, --a half hour less than in 1984--according to estimates of the company itself there will be a surplus of 1.6 million hours throughout 1985.

The slackening of sales is the main cause for this excess of labor capacity. Thus, while in 1983 48 Aviocars were built, only 13 were built in 1984. Something similar is happening with the C-110; production has gone from 19 units in 1983 to 13 in 1984. The projects of international cooperation also slackened in their demand last year, with the exception of the small collaboration with Boeing and McDonnell Douglas. From the 219 parts made for Airbus in 1983, there was a decline to 173 last year. In turn, production also declined for the Mirage and Falcon (from 90 to 42 parts), and for the BO-105 helicopters (from 24 to 9).

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ECONOMIC

BELGIUM

FLEMISH PARTY LEADERS ON RESULTS OF MARTENS' POLICIES

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[Report on debate among members of five Flemish parties, Guy Verhofstadt (PVV [Party for Freedom and Democracy]), Jean-Luc Dehaene (CVP [Social Christian Party (Flemish)]), Willy Desaeyere (VU [People's Union]), Ludo Dierickx (AGALEV [Live Differently]) and Willy Claes (SP [Socialist Party (Flemish)]), by Frans Verleyen: "And We Went Up with a Whoosh..."; date and place not given]

[Text] During the first in a series of debates, in which five Flemish political parties are participating, the editors asked the big election question: how burdensome were the income cuts, the taxes and the overall policy of moderation under the Martens V administration? Both the majority and the opposition remained most pleasantly courteous in discussing this difficult issue.

The good and the bad of the many recovery measures, and the success which may or may not have been achieved with them: this discussion topic was presented to PVV President Guy Verhofstadt, CVP Minister Jean-Luc Dehaene (Social Affairs), VU member of parliament and economist Willy Desaeyere, AGALEV member of parliament Ludo Dierickx and former SP Minister Willy Claes. When the eyes of the public at large or of television are not present, political debates do not immediately have to turn to the use of pamphlet or meeting styles. The gentlemen kept it civilized.

Question: When the government was formed 4 years ago, there was the expectation that it would relieve the government burden on the lives of the citizens. Fewer taxes, fewer regulations and less paper work. The majority regularly published statements which suggested that "collectivism," the constant presence of the political machine, is harmful to the economy. How do we look back today on that attempt to liberalize?

Guy Verhofstadt: It really did take place, but it was never completed. The imbalance which undeniably existed in 1981 between the extensive, often too sluggish public sector and the private sector which for years had been unable to be creative, no longer exists today. New investments once again make sense. On its side, the government has slowly gotten a hold on daily spending. The growth of its total expenditures has greatly slowed down.

Even though all problems have not been solved yet, and the debt burden is still terribly high, everyone simply feels that the budget policy has virtually gotten under control. In percentages of the GNP all deficits and installment costs are going down.

You should just go take a look at Flemish industrial sites and you hear or even experience visually the same thing everywhere: relief, gratitude for the policy that has been conducted, and belief in new initiatives. The collective political mistake of the seventies has been set straight. In addition, we have finally started on the process of slimming down the government apparatus. There are fewer civil servants now than in 1981, a reduction which had not occurred since 1830. The unhealthy size of the government apparatus (nearly 900,000 individuals out of a working population of about 3 million) has started on a downward movement, with on the other hand an early increase in the total number of jobs. This does not mean that the liberal operation has been completed, but it has demonstrated its proper direction. It must be supplemented with the effects of the now legally set tax reduction. In its attempt to right so many crooked situations, the government must also avoid falling back into an excessive reglementation drive which would threaten to throw out the child with the bathwater.

Ludo Dierickx: I may perhaps be a little out of step, but I have a totally different outlook on the crisis than the others here. How do we really look at the problems of the times, what is our crisis perception? Verhofstadt, the Credit Bank, Wilfried Martens or the OECD all speak the same language: that of the tunnel with the small point of light at the end of it. The ultimate standards are always the GNP, the government debt, sometimes also the balance of payments or of trade. But the upheaval, the fact that in Flanders all rivers are dead and even the North Sea has become a sewer, these data cannot be expressed in figures or monetary values. And thus they are ignored as a problem. Worse yet, the idea of war, the preparation of a new military conflict between East and West, the Star Wars project are in fact presented as a means to break through the current economic cycle. The political authority praises, perhaps unconsciously, war as a means of recovery. This is how far thinking like Adam Smith has led us: reality is expressed only in monetary terms now; money completely determines the observation area on which we observe reality.

Verhofstadt: Pollution can be defined perfectly in monetary terms. It is strictly an economic problem.

Willy Desaeyere: True, welfare economists ascribe a (negative) social cost to all these phenomena. That makes sense.

Dierickx: Pollution, overpopulation on a world scale, dying forests, unsolvable unemployment contain a factor of human degradation which cannot be expressed in any way, not even with a minus sign, in the GNP. The contribution of the Greens, I think, is that we further elaborate this position and that we no longer want to quantify everything.

A Legend

Willy Claes: I find that a very defensible point of departure. In order to get out of the crisis, people will indeed have to reconcile themselves with man and with nature. But that is another debate and I don't think that Dierickx will be able to introduce it in the current election campaign. The people will talk about ordinary and everyday things. Especially also about the slogan which Verhofstadt could not make true: "not you but the state is living beyond its means." The PVV promised a tax reduction, but the minister of finance himself has told us now that since 1982 the tax pressure has gone up from 43.3 to 46.6 percent of the GNP. This spectacular increase, without equal, does not even include a series of special levies. I say that taxes have gone up by 4 GNP points.

To make matters worse, labor income has been flatly outdone by capital income. The Planning Office has figured all of this out beautifully: the share of labor in the national income has dropped drastically, but property income will go up another 6 GNP points over the next 4 years. In the SP we call that an inverted redistribution: those who had little and had to work for it were taxed more by the state than those who have a lot and have to do nothing for it. The research service of the Walloon ACV [Confederation of Christian Trade Unions] (the Savage calculation) says just the same thing: in all kinds of households, with or without children, income cuts were higher as the income was smaller. The idea that the government has spared the least fortunate is a myth.

In recent years the OCMW's [Social Welfare Office] have more than doubled their financial intervention. As a matter of fact, purchasing power has dropped by 13 to 15 percent over the whole line, as a result of which the domestic market has collapsed, as shopkeepers and independent workers know very well. I am also surprised to hear that there is "less state" today than in 1981. I have seldom seen as much interventionism as that from liberal Ministers Jean Gol or Etienne Kneops. That is not based on a somewhat unfortunate overacting on the part of too industrious government members. The Belgians have been bombarded with 300 sometimes mutually contradictory special powers decisions. The civil servants who are supposed to implement them often no longer know where to turn.

I come from a political family which should not lecture anybody about bureaucratization, I admit that. However, Guy Verhofstadt doesn't have to come trotting along here with the argument that the public sector has finally become depoliticized. I have never before seen the appointment machine work so hard, including even the judicial power and the humblest absorption programs for the unemployed. In the end, the government speech about having the public debt under control seems nearly tragi-comic. In a few months this debt will reach the 5 trillion franc mark. During the Martens V administration alone, more debts were incurred over a 45 month period than during all Belgian administrations since 1830 put together. The argument that all of that is due to the past, and specifically to the socialists, doesn't hold water. The Martens V administration has borrowed 110 billion francs more in a good 3 years than the previous administration did in 4 years. Furthermore, a few weeks ago the

National Bank published a report which shows that the Martens V administration has added more than 100 billion francs to the amount of "covert spending" outside the budget. It used the technique of "debudgetarization" to an extent never seen before. The idea that there may have been fewer taxes and less government is a legend which the coalition is trying to spread in vain.

Desaeyere: This government did not lower taxes; it cannot do it, it doesn't want to do it and it will not do it.

It cannot because in terms of expenditures it is tied to the dirigism running wild in Wallonia. Relatively speaking, the public sector costs 20 percent more there than in Flanders. The national deficit is caused exclusively in the South. For political reasons the majority apparently does not want to put an end to that situation. The professor from Louvain, Paul De Grauwe, added to this: rightwing governments (and this one is extreme rightwing) conduct a policy leaning to the left.

What has this administration really done then in the light of its promises? The figures from both the Planning Office and the Budget Department show that the government ran up its income from direct taxation by 50 percent, specifically from 563 billion to 845 billion francs. Furthermore, it has closed the door on a reduction of these taxes over the next few years. Anyone who takes a good look at the fiscal legislation which the PVV invokes so much, learns that it will not include a reduction but an increase. The demagoguery on this point is nearly unbearable. The government propaganda actually says the following: a household with an income of 600,000 francs in 1985 shall, with the same income, pay fewer taxes in 1989. The deceit in perspective involved here lies in the fact that a household with the same nominal income in 1989 will automatically be much poorer already, because of inflation and the economic growth which will have taken place in the meantime. To compare 1985 with 1990 we should always take the same "modal" household. If we do that, says the Planning Office, the tax pressure will rise by 1.2 percent: from the above mentioned 845 billion to 1,121 billion francs in tax assessments, while the GNP will rise from 4,774 billion to 5,995 billion francs. Hence, taxes are rising by 33 percent, which is quite a bit more than the growth of the GNP with 24.5 percent. In the future, by 1989, due to the fiscal legislation direct taxation will go from 17.7 percent to 18.9 percent. The legislation does not include any real tax reduction, but only a moderate brake on the increase. Preferential tax measures are not adequate to offset the stealthy tax increase completely. In fact, the current Roman catholic-liberal majority is consciously planning a further tax increase. The liberals shouldn't come and tell me any more stories on the subject.

Jean-Luc Dehaene: "Less government and fewer taxes" was a principle of the PVV, not of the government as such. I don't think that its speeches were dominated by that theme and besides it doesn't consider it essential for those who set it as their task to solve the crisis. It seems to me that it belongs to the simplistic statements of an election campaign. However there are no simple ways to solve the crisis. This administration primarily wanted people to realize that society needs a few basic balances in its economy and that for a while those balances had been lost. We were living as if the real impoverishment of the country didn't really exist; it remained shifted onto the state

and on business and industry. When Wilfried Martens proposed a drastic turn around in March 1981, he ran into a wall. Since then we have undoubtedly uncovered these balances and broken them open, without the socialists. For that we literally asked everyone to make an effort, I don't make any bones about that: the working population, the civil servants and the social benefit recipients have met with inescapable measures, however unpleasant they may have been. In 1974 the share of households in the national income was still 75 percent, by 1982 it was more than 80 percent. Nobody felt the impoverishment concretely. Hence, redistribution among state, households and enterprises was a vital issue. Even Guy Verhofstadt accepted the fiscal consequences of this during a transition period. And no "presents" were given to the enterprises. Because of the recovery of their vital base the flood of bankruptcies, which doesn't do anybody any good, was stemmed.

More, Less, Better

In this respect I challenge Willy Claes' position that we acted in a socially unjust manner. It is true that we also imposed an effort on modest incomes, but with a policy aimed at avoiding the development of real poverty. Minimum incomes were spared completely and even really increased up to three times. What about the fiscal pressure then? We started thinking about relieving this only when the results of the crisis policy slowly began to offer the prospect of the possibility of a tax reduction, even if slowly and spread over a certain period of time. It is essential that we stop the creeping and insidious tax increase as of next year by tying the assessment rates to the index. It is precisely for this reason that Willy Desaeyere's arguments do not fit, because he proceeds from an unchanged policy.

In broader terms, I don't find the discussion about whether there is more or less state all that meaningful. What is important to me is the observation that the Martens V administration has introduced new techniques and ways of working for the government apparatus: schools, hospitals, universities, municipalities have had to draw up their own budget cutting plans and been given the responsibility to carry them out with more autonomy. This government is in the process of bidding farewell to the uniform, generally leveled society and labor organization, which is ordered by central and dogmatic regulations. We now want more flexibility instead of general compulsory prescriptions for everyone, even though they are in varying situations. In this sense our position is really in the neighborhood of that of Ludo Dierickx. We are undoubtedly experiencing a social upheaval whereby new elements and values are developed in terms of the meaning of "having" as against "being" in human life.

Verhofstadt: From all these statements I have found that nobody has contradicted my premise: that the private sector was in need of new creativity and was able to find it thanks to a lesser role for the public sector, government intervention and consumption. The business world, the most important source of prosperity in our society, is no longer financially unsettled. The government gave up some tax receipts from enterprises and households some of their wages. Tomorrow the government will reduce its levy on those wages so that households will once again get more elbow room and enough motivation to act economically. Alas, the SP election program shows me that Willy Claes wants to stop this process.

Claes: That is nonsense; you have to be serious.

Verhofstadt: I am also talking here about a long and monotonous series of figures, even though they are hidden in the ambiguity of two program versions: one from 1983 and a recent one. The SP in any case wants to impose new taxes, in the amount of 80 billion francs from the first year onwards.

Claes: Not for two-thirds of the households and with restoration of the index and of purchasing power.

Question: Do all the members of the panel consider the request for less government intervention a legitimate aspiration for society and a political agenda issue?

Dierickx: Of course it is legitimate, but I am afraid that my colleagues are misjudging it with all those figures which they handle in the same manner. They say: the balances are out of whack. We say: what is involved here is not a crisis but a totally new economic situation. To me, the others seem to be talking about a bad economic cycle which can be improved with traditional means: a good devaluation like in 1982, lower household incomes, subsidies to enterprises. But all Western states, even though they have less unemployment than Belgium, conduct exactly the same policy, with actually only one intention and effect: to "export" part of their unemployment and inflation.

Dehaene: You would like a different policy in Belgium then than in our neighboring countries?

Dierickx: I am not saying that I propose a policy but that I ask different questions and that it is high time for that.

Verhofstadt: I don't find your questions original. They are floating between the ideas of the SP and those of the KP [Communist Party]. As a matter of fact, you also provide answers: the nationalization of enterprises.

Dierickx: That is not true; your press twisted the decisions made by our congress. And who is it who primarily nationalizes, who is a proponent of one gigantic government holding for all of Flanders? Gaston Geens of the CVP. He wants to centralize all "investments," GOM's [expansion unknown] and the like, under a single authority. You have turned the ASLK [General Savings and Annuity Bank] into a government bank, the 12 directors of which are appointed by the government. The DIRV [expansion unknown] and Flanders' Technology form an exclusively state run project, just like Cockerill-Sambre. The Antwerp Chamber of Commerce is liberal only as long as things go well in the harbor, but conspicuously collectivist when problems arise. To use the argument against this that AGALEV wants to give society control over the energy policy for example is shameful: the Greens have nothing to do with the dirigism that is actually conducted by the traditional parties.

Even the liberals claim very wrongly that they don't want to exercise any bureaucratic influence on human enterprise. Just like the others they give their approval or disapproval to equipment plans, they grant or refuse

subsidies, they orient the monetary flows of the banks. What else is a central intervention in the production process? The Greens are not doing that, they think primarily about the value in use of the goods with which we can equip ourselves and which can definitely be produced by a mixed economy. For them the wealth of a country does not however lie in an addition of trade values. Politics can get a hold on the economy only when it separates itself from it. Now it is completely intertwined with it and that compromises its position of authority in the economic game. Democracy has lost its freedom with regard to the course of events in the intermunicipal organizations, the parastatal enterprises, and so forth. Case by case it should be able to make decisions about contracts and subsidies and about whether projects are taken on jointly or not. However that is not possible with all those self-perpetuating power organizations, filled to the brim with people from the three major parties.

Claes: You asked about the legitimacy of the liberal aspiration. I recognize it, because in that respect I am a follower of Helmut Schmidt: a government that is too heavy undermines itself and crushes itself; there are limits to the role of the state and I can imagine that a few have been exceeded in Belgium. Unlike Verhofstadt though I don't talk about more or less state but about the quality of its functioning. What about privacy, security, repression, friendliness toward a citizen at the counter, an honest explanation and information about the why of decisions, control over poisons in what we eat and drink? Where is the ombudsman? I regret that the debate about the quality of government service in our country is not getting off the ground. And in that respect the socialists are certainly not the old, incurable nineteenth century ideologues that Guy Verhofstadt likes to describe us as being.

Verhofstadt: I am in any case convinced that too much state intervention inherently leads to a bad provision of services. Too much always equals bad.

Long Term

Dehaene: Each of these approaches includes a piece of truth, but I once again oppose any absolutism and conceptions which become a goal in and of themselves. In the government I have experienced situations in which one company or another urgently had to become private, because it said so in the program of the liberals. I don't understand such an approach, but I am fully alive to the fact that the role of the state in a modern, evolving society can be subject to review. As I said before, I primarily want to get away from the uniformity in the phenomena and processes of production and human labor. It must be possible to judge each case by its own characteristics; there is no longer any place for dogmas. Society is no erector set with wrenches and screws which put everything in the right place with perfect accuracy. The changes which are taking place confront politicians with numerous questions; they don't know where all of it will lead to either. Their task now consists primarily of creating opportunities and contexts, not of formulating rules and anonymous norms. Let us develop less rigid cores and within them give each person by himself greater responsibility. As a matter of fact, the same is true for private businesses and industries: modern technology apparently thrives well in smaller units and much less so in large corporations with closed ideological models.

Desaeyere: I would like to inject a comment here. The scope of government intervention doesn't have to be in direct relation to its cost price and hence to the levy on the citizens' incomes. I can imagine the government becoming even more active, in environmental affairs for example, without a single additional civil servant and without destroying jobs in the private sector. Let us not forget also that the "central" government is not by definition the major oppressor. There are others also. I am thinking of the pillars, of those bodies which also affect the mental freedom of the people.

Claes: I would like to get back now to the so-called pressure relieving tax bill which Guy Verhofstadt has brought up. I claim that it is humbug and I would like to change one thing and another in it during a future administration. The Planning Office figures that it will lead to a reduction in government income over the next 4 years of more or less 86 billion francs, 13 billion of which for the first year. It continues to bother me that the government, which continues to have all its prerogatives at its disposal, refuses to give the people any explanation about the kind of savings it wants to implement to compensate for lost receipts. As the prime minister has already intimated, I expect that they will be social savings: hence taking away with one hand what one has given with the other. To flaunt a 13 billion franc tax reduction is even ridiculous for a coalition which at the same time persists in its intention to skip another index adjustment for wages next year. Well, that is a 40 billion franc deduction. And what about those other so-called temporary collections: direct deductions of 375 or 675 francs on family allowances, the elimination of a thirteenth and fourteenth month in family allowances, what about the allowance for the first child, the 12 percent taxation on double vacation pay and so forth? Why don't you stop the shamelessness of talking about fewer taxes.

Verhofstadt: You are confusing a program of temporary and purposeful income cuts with a project concerning the Belgian tax system as such, a system that was bad and will be better in the future.

Dehaene: The effort resulting from the savings plan must be maintained, but then in the short term. Tax relaxation is for the long term. As a matter of fact, it will not necessarily have to lead to social restrictions because a few hopeful phenomena are in the offing. Following a period of taking out loans to pay off previous loans, thus of self-sustaining government debt, we may now be facing a phase of self-sustaining economy measures. The cut in the tendency to incur debts and the declining interest rate at the international level could take care of that. Between 1981 and 1985 the national government's budgetary deficit was reduced from 12.6 percent of the GNP to 10.5 percent. Next year it will presumably be less than 10 percent. Thanks to our actions in the social sector and with regard to our subordinate administrations, the budgetary deficit for the government as a whole was pushed back from 15.5 to 11 percent during that same period. Those are figures from the National Bank. Let us not forget also that the budgetary problem really concerns the financing of our whole network in terms of social security. Well, for 2 years now the system has had to take out virtually no loans anymore. And I don't see any higher social payments or contributions for the future either. It is even possible that, because of the industrial competitive position, the money paid out by the managers could be reduced.

Perhaps too little is said about social security when we talk about past policy. The whole system was saved under the Martens V administration. We had to raise the receipts by a little more than 25 percent, but expenditures rose less rapidly than the newly brought in resources. That was possible by making real cuts in less vital benefit payments, especially for double income households, but on the other hand by safeguarding and raising the real social minimum payments.

Desaeyere: A nice story, but statistical reality simply tells us that you raised social contributions from 12.8 to 13.7 percent of the GNP. That is remarkably high, especially in the eyes of an economist who knows that para-fiscal burdens on the economy destroy many more jobs than direct taxation.

Claes: I know that my colleague Jean-Luc Dehaene tries to do his work for social security in honor and decency. Besides that is not where the problem of the Martens V administration lies. As a matter of fact, at an early stage we as socialists shared a number of major concerns with the Christian democrats. Unfortunately, propaganda often distorted our image. Thus, it is not sufficiently known that the Martens IV administration didn't run "into a socialist wall" at all with its emergency plan of March 1981. We were willing to talk about a different index (money, not percentages), even though we knew that Wilfried Martens was far too fascinated by that one element. Furthermore, it is nearly never said that his emergency plans encountered a great deal of resistance within his own party and the PSC [Social Christian Party (Walloon)]. I remember numerous telegrams of protest and fits.

My major grievance against the policy conducted by the Martens V administration concerns employment policy. In this respect the CVP partner was clearly taken in by the PVV. Until a year ago or so, the cabinet considered the creation of new jobs as a "derivative" of the economic policy. If the enterprises had more money they would automatically invest in jobs. However, the devaluation and a half, the Monory bill in favor of new risk bearing capital, the wage moderation and the special decisions were badly rewarded by the business world. In 1982 profits rose by 44 percent, by another 30 percent the next year and by 14 percent last year. During the first 2 years of the Martens V administration however, our country experienced industrial disinvestment. It was only last year that the balance turned positive, but then without any recovery movement relative to our major partners.

I gladly give this government the honor of having made our trade balance and our balance of payments healthy; with all those tough measures that should surely have happened. However, in terms of the failure of its investment policy I also include its budgetary policy and the employment balance. According to the government declaration, the Martens V administration was going to reduce the budget deficit by half. It is still around 11 percent of the GNP. The so-called drop in unemployment is based largely on statistical artifices. At best we can say that it is consolidating itself now at a very high level, 3.3 percent of the working population more than the average European level.

Dehaene: Based on the certainty that the breakdown of the business world as well as that of the labor market has been stopped, I can understand part of Willy Claes' criticism. We did indeed think and hope that a number of positive effects resulting from our recovery policy would come to light more rapidly than was the case. We worked with models from the Planning Office, but by their very nature they could not include data from the international economic environment. It also turned out that the enterprises were rather slow in coming up with new investments. They needed ample time to pay off their debts, which were as painful as those of the state.

However, I do not accept the criticism that this government considered employment an automatic product of other measures. From the very first day we wanted to have a positive influence on the labor market. We immediately started broadening and improving the possibilities of the third labor network. We launched the 5-3-3 formula and gained many tens of thousands of jobs because of it. And finally, we started the revolution concerning working hours: the organization of much more freedom of choice in terms of parttime labor, a choice in favor of an early transitional pension, double jobs and a large number of experiments by Minister Hansenne. I can imagine that the latter element will be considered the most original later on. Unless perhaps we should have done more about a very old Belgian illness: the fact that our business and industry are not oriented sufficiently toward the renewal of their range of products, their management and their methods to conquer new markets. However, a politician must be humble in the realization that it is not he who makes the economy, but the entrepreneur.

8463

CSO: 3614/9

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

SUBSIDIES ARE SUBJECT TO CONFUSION, CONFLICT IN MINISTRY

Study Reports False Estimates

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 9 Oct 85 p 13

[Article by kpk: "Subsidies Twice as High as Listed" / Through Reductions, One Million More Jobs / Kiel Study]

[Text] Subsidies in the FRG are larger and have increased more than shown in the subsidy reports of the federal government. This is proven in a study by the Institute for World Economy in Kiel. It cites a total volume of subsidies of DM 122 billion for 1985. But only about half of that amount is reported. The study's title indicates what it demands of politicians: "More Jobs through Subsidy Reductions." Such a reduction, together with lowering of taxes, would lead to more growth, increase the international competitiveness of enterprises, and overall, would also lead to more jobs.

In practical terms, the authors propose to cut all subsidies in half within 5 years. In addition, wage, income, and corporation taxes could be lowered on a linear scale. With a working fund of about DM 60 billion, the burden of these taxes could gradually be lowered by 30 percent. With such a "stretched-out subsidy reduction", within those 5 years about 1 million additional jobs could be created. The authors see no unsolvable problems in the most heavily subsidized industrial sectors where employment would go down. On an average, wage and income taxes would drop to 18 percent instead of 25 percent of income.

The study claims that politicians are often unaware of the actual costs of subsidizing certain sectors. Higher subsidies always cause higher taxes and levies, damaging the non-subsidized sectors in particular. Jobs that are maintained through subsidies must be contrasted with those that cannot be created elsewhere because of this.

The study also suggests that an independent supervisory authority be established. It is to supervise the reduction of existing subsidies, and the granting of new ones.

Unauthorized Paper Creates Debate

Duesseldorf HANDELSBLATT in German 1 Oct 85 p 1

Article by uhl: "Bangemann: Strictest Criteria Also for Research Subsidies" / Ministry for Economics--Ado About Unauthorized Office Paper

[Text] Improvement of general conditions is not enough to enable German enterprises to catch up with the competitive advantages of international competitors created with government help. Sooner or later, the federal government will have to expand promotion of projects.

This is the conclusion of a discussion paper which the head of the department of "research and technology policy" in the Ministry for Economics has distributed in great numbers. An economics ministry spokesman said that the ideas of the department chief do not correspond to those of the Minister for Economics and the appropriate department. The discussion paper is largely rejected within the ministry. "The Minister for Economics sees the necessity for applying the strictest criteria to any subsidy, also within the area of research and technology policy. He attaches greatest priority to improving general conditions."

The opinion that improvement of general conditions is not enough, is justified in the paper with the argument that there exist only partly precise ideas on what should be a part of improving general conditions. Changes, especially in social and tax laws, would also take a long time, or could not be carried out to the desired extent. And even if the federal government were to create within a short time general conditions "which would be optimal for our economic and societal conditions, they would still be worse than in the United States."

If the influence on industrial competitiveness continues to develop via U.S. space and military research programs, an expansion of project promotion is unavoidable. The slogan, "no participation in an international subsidy race," will not help. For military research alone, the United States spends 16 times the amount the federal government expends for promoting research and development in industry, or almost 35 times as much as the Ministry for Research makes available for that purpose.

In view of these figures it is hardly a matter of a subsidy race, but rather a limping behind. Also unresolved is the task of integrating government promotion of technology with government industrial policy.

9917
CSO: 3620/51

ECONOMIC

FINLAND

ECONOMIST DEFENDS SOUNDNESS OF USSR-FINNISH TRADE ARRANGEMENT

Helsinki HELSINGIN SANOMAT in Finnish 2 Oct 85 p 2

[Article by Urpo Kivikari, an assistant professor of economics at the University of Turku: "Soviet Trade Does Not Need Major Structural Changes"]

[Text] Since the so-called new export product categories established their position among Finnish exports and the whole idea became superfluous, the debate over the commodity structure of our foreign trade has quieted down.

During the period following the 1973 oil crisis the only aspect of it that has been of somewhat lasting interest has been the structure of our trade with the Soviet Union. Our imports, of which oil products have accounted for a pre-dominant share and industrial products a minor one, have given rise to the most debate.

There Are Problems

The first problem associated with the one-sidedness of our imports is the entire trade's great dependence on the price and import volume of oil at any given time. Second: Imports from the Soviet Union might be of greater use if they were more diversified than they are now. And third: The Soviet Union would like to export more industrial products than it does now.

These things are familiar in all of the Soviet Union's exports to the West. Finland's problem may in addition be the Soviet Union's unwillingness to sell its "harder" products to Finland for rubles when the other Western countries pay for their purchases in exchangeable hard currencies.

The structure of our exports to the Soviet Union has also occasionally given rise to concern. It is generally associated with competition in the different industrial fields for those export quotas. But from general standpoints too, there is good reason to pay attention to the structure of exports because of government regulation and the bilateral nature of the trade so that our exports to the Soviet Union may continue to be at a competitive advantage and will not develop into an unhealthy industrial subsidy for any field whatsoever.

Long-Term Trade Policies

During the period of the first general agreement, 1951-1955, nearly half of our imports were agricultural products. As agricultural imports later rapidly declined, energy imports correspondingly increased in the 1950's and 1960's.

Later, because of its price evolution, oil also reduced the percentages accounted for by other categories of products. Thus, for example, machine and equipment imports no longer accounted for the over 10 percent of all imports that had prevailed in the 1960's.

The Soviet metal industry's share of Finnish exports has remained at about 50 percent. The traditional base of our exports, the lumber industry, has for natural reasons accounted for a smaller percentage, which increased exports of consumer goods and chemical products have further reduced these past few years.

Our imports from the Soviet Union have been composed predominantly of energy and notably of raw materials. The percentage of total imports accounted for by the other chief categories of Soviet imports has remained fairly small.

Soviet procurements have, as we well know, meant a great deal to our metal industry, for which this steady demand has served as a basis for expanding its market area to other countries as well. In the 1970's and 1980's the clothing and shoe industries have obtained an important export country in the Soviet Union. Exports to the Soviet Union in general appear to correspond to the requirements of our production and to soundly support our industry's ability to compete on international markets.

Compared to Others

Compared to the other Western countries, Finland exports relatively large amounts of goods to the Soviet Union and more lumber industry products, means of transport (ships) and consumer goods than any other country. However, Finnish exports include relatively few machines and chemical products. In Finland exports to the Soviet Union differ from its overall exports less than in the other Western countries.

The percentage of energy products imported from the Soviet Union by Western trade partners other than Finland has been especially high too, in general over 80 percent these past few years. The difference between other Western countries and Finland is the Finnish energy supply's much greater dependence on Soviet oil. Because of this, Finnish imports from the Soviet Union really appear to be more one-sided than they are, considered from an international standpoint.

The importer of an exceptionally large volume of oil, Finland has also come to be the biggest Western importer of Soviet machines, equipment, means of transport and scientific and optical equipment.

Must Be Active

At Vaasa College they have prepared a report on Soviet exports to Finland and five other West European countries during the period 1978-1982. From the report it is clear that Finland's imports from the Soviet Union have on the average annually included 534 import items, West German imports 460 and the other Western countries considerably less.

This international comparison with Finnish imports from the Soviet Union does not introduce any revolutionary prospects for development but there would, for example, be reason to determine our supplementary and new requirements in terms of some chemical products and raw materials.

There is no evidence that the Soviet Union would place Finland, which buys with rubles but actually pays for its imports with Finnish products, in a worse position than the other Western countries. In its own interest, however, Finland must be active as a buyer too since the Soviet Union will certainly not force products on Finland for which there is already enough demand in the West.

Our imports might also be compared with the CEMA countries' considerably more diversified imports from the Soviet Union. We would scarcely succeed in substantially enlarging the selection of our imports on the basis of the incentives provided by such a comparison either. Finland is, after all, tied to the technical culture of the West.

Prospects for Development

Trade between two countries comes into being with those products one of the two is prepared to sell and which the other wants to buy. Bilateral benefit and open readiness to engage in trade have up to now been and will certainly continue to be decisive in structuring trade between Finland and the Soviet Union. This trade does not require major structural changes inasmuch as its present composition clearly corresponds well to their theoretical and actual export possibilities and import needs. The general agreement concluded in the fall of 1984 indeed anticipates that the main lines of our export and import structures will continue to exist during the 1986-1990 5-year period. This does not, of course, mean that the structure of the Soviet trade is rigid, rather that it will continue to evolve flexibly and attentively in accordance with the requirements of our economy and our needs for change.

Branded as being too one-sided -- at least in part in an unwarranted manner -- our imports do not in the first place suffer from structural problems, which may be apparent from what I have presented here, rather what is at issue is a problem involving the volume and balance of trade.

While all of the West's exports to the Soviet Union depend on imports -- and oil -- trade conducted with the Soviet Union on a multilateral basis by individual countries need not be in balance. In our bilateral trade, which offers Finland many incomparable advantages, exports and imports must in the long run satisfy the requirement of balance, which may also influence the volume of trade.

The balance problem that is to be expected from time to time is probably no reason nor is it possible to handle this trade by interfering with what is in itself a sound structure. As a preventative treatment it would be more appropriate to diversify trade operations and develop the trade system itself.

Structure of Finland's Soviet Imports in 1951-1984 (%)

| <u>Product Category</u> | <u>51-55</u> | <u>56-60</u> | <u>61-65</u> | <u>66-70</u> | <u>71-75</u> | <u>76-80</u> | <u>81-84</u> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Machines and equipment | 4.0 | 5.7 | 12.5 | 10.0 | 7.5 | 6.1 | 4.0 |
| Energy | 24.1 | 37.6 | 40.9 | 54.0 | 68.5 | 81.1 | 85.9 |
| Agricultural products | 48.1 | 29.3 | 17.0 | 7.5 | 1.9 | 0.4 | 0.3 |
| Raw materials: wood | 0.1 | 0.8 | 6.7 | 8.9 | 8.6 | 5.2 | 3.9 |
| Metal products | 9.0 | 13.5 | 13.1 | 9.3 | 4.9 | 2.3 | 1.7 |
| Other products | 14.7 | 13.1 | 9.8 | 10.3 | 8.6 | 4.9 | 4.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Structure of Finland's Exports to the Soviet Union in 1951-1984

| <u>Product Category</u> | <u>51-55</u> | <u>56-60</u> | <u>61-65</u> | <u>66-70</u> | <u>71-75</u> | <u>76-80</u> | <u>81-84</u> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Wood-based | 49.5 | 37.0 | 35.1 | 32.6 | 37.8 | 27.7 | 22.2 |
| Metal-based | 47.5 | 8.0 | 55.6 | 51.2 | 36.4 | 50.1 | 47.0 |
| Textile-based | 1.7 | 1.5 | 2.8 | 6.3 | 10.2 | 6.6 | 8.2 |
| Food | 0.4 | 1.9 | 4.0 | 4.8 | 6.7 | 4.8 | 6.9 |
| Other products | 0.9 | 1.6 | 2.4 | 5.1 | 8.9 | 10.7 | 15.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

11,466

CSO: 3617/6

ECONOMIC

FINLAND

GOVERNMENT MAKES FORMAL REQUEST FOR FULL EFTA MEMBERSHIP

Helsinki HELSINGIN SANOMAT in Finnish 1 Oct 85 p 8

[Text] On Monday the Finnish Government decided to submit a request for Finland's joining the European Free Trade Association (EFTA) as a full member. The government's intention was reported 2 weeks ago. The idea is for Finland's associate membership to be changed to full membership at the end of the year, when Portugal will be resigning from EFTA.

The government feels that it is important that Finland continue to be given the option of placing import restrictions on fuels and fertilizers. The restrictions are important from the standpoint of Finland's trade with the East Bloc. The import restriction clause gives Finland the right to buy fuels from wherever it wants to. The EFTA countries have already approved preservation of Finland's import restrictions in the preliminary discussions.

Finland has been an associate member of EFTA for 24 years. For foreign policy reasons full membership was not possible in the early 1960's.

The government assures us that joining as a full member is merely a formal confirmation of an in practice established situation. The difference between associate and full membership has in practice diminished very little.

According to the government, it is important to Finland that it obtain full and equal opportunities for exerting its influence in the EFTA Council and on its decision-making. Finland will, among other things, receive formal veto power.

The government assures us that EFTA will in future too continue to be a purely economic organization. Portugal's resignation from EFTA and becoming a member of the European Community (EC) early next year will, according to the government, strengthen EFTA's conditions for concentrating on cooperation. "Those countries remaining in EFTA afterwards will for economic and commercial reasons constitute a coherent group and a natural area of cooperation for Finland," they said in the Foreign Ministry memorandum in justification of the decision.

Finland's joining would also emphasize the permanent nature of EFTA and our confidence in EFTA's future. It would also mean the permanent establishment

of the number of the number of members and an assurance of its permanent composition. "Our membership would have a positive effect on keeping EFTA's position stable and strong," the Foreign Ministry justified the decision to join.

After Portugal's departure, the neutral countries belonging to EFTA will be Austria, Sweden, Switzerland and Finland as well as NATO members Iceland and Norway.

11,466

CSO: 3617/6

ECONOMIC

ICELAND

GOVERNMENT BUDGET BILL ASSUMES TWO PERCENT GROWTH IN GNP

1986 Budget, Revenue 33.5 Billion

Reykjavik MORGUNBLADID in Icelandic 16 Oct 85 p 29

[Article: "1986 Budget Bill: Total 1986 Treasury Revenue 33.5 Billion"]

[Text] According to a budget bill submitted in the Althing yesterday, the total treasury expenditure amounts to 33.417 billion kronur which is a 10.8 percent increase from the 1985 estimated expense figure. Public consumption increases by 11.3 percent, interest expenses by 28.9 percent and various operational and consumption transfers to individuals and industries increases by 9.1 percent.

The total collected treasury revenue is estimated at 31.999 billion kronur for 1986 or almost 18 percent higher than the revised 1985 estimate. The share of indirect taxes increases from slightly over 84 percent in 1985 to almost 85.5 percent in 1986. The share of direct taxes decreases correspondingly. The total treasury revenue amounts to 33.540 billion kronur which includes the interest revenue from the state rediscounts that amounts to 1.541 billion kronur.

According to this, the state revenue surplus will be about 122 million kronur in fiscal year 1986.

Roughly estimated, state taxes amount to 3.8 percent in 1986 based on the income for the year it is paid, but this year it was estimated to be around 4.4 percent.

In comments accompanying the bill, it is stated that it is characterized by the government's continued efforts to reduce the expansion of the national economy thereby resisting trade deficits and inflation, and to obtain balance in state's finances and curb against the growth of state activities.

It is also stated that although considerable gains have been made in economic affairs during the past 2 years, especially in the fight against inflation, sufficient stability or balance have not yet been reached in the economic system. "Inflation in Iceland is greater than in the countries Iceland trades and competes with, and the trade deficit and foreign borrowing is greater

than is acceptable for the future. There is a very close relationship between these factors in economic life and the state economy. It is therefore imperative that the management of state finances be handled in such a manner that it supports the efforts that are being made by the government authorities in the fight against the problems that have been mentioned here."

It is also stated: "Three main goals are reached with this bill. Firstly, foreign borrowing is limited, so new foreign borrowings by the state will not exceed the amortizations of older indexed loans. Secondly, this bill seeks to maintain a balance in state operations which is an important prerequisite for balanced economy in general. Finally, this bill aims at keeping state activities at a lower level than it is this current year. The ratio of the national production will therefore be 27.6 percent based on the new national accounts and is estimated at 27.9 percent for this year. This means that the field of action in industry and for individuals will be slightly greater in 1986 than in 1985."

It is also stated in the comments that in order to obtain defined objectives in 1986 it was necessary to postpone many plans that are connected with the revenue and expenditure side of the budget. "Based on the difficulties that have been present in the nation's economic affairs, it should not come as a surprise to anyone that under the current circumstances, various necessary projects must wait and plans for tax reductions will be delayed. What is most important is that the nation's foreign debt situation will now be dealt with firmly and that there are no plans afoot to finance the public trade deficit with foreign borrowing."

It is stated in a report with the bill that it is based on all prerequisites for the development of wages, price levels and exchange rates. "According to the latest forecasts, it is estimated that at the end of this year the price level in this country will be about 12-13 percent higher than the average price level of this year after the 1-2 percent estimated increase in the price of imports during the latter part of 1985 has been taken into account. Price changes from the beginning of 1985 to the end of the year would according to this be about 30 percent, but the average price increases between 1984 and 1985 is estimated to be slightly higher, or 31-32 percent," as stated in the report.

It is also stated in the report: "The wage contracts of most wage earners will be terminated at the turn of the year and the development of wages in 1986 is therefore uncertain. The same applies to price development. Great changes have taken place in the exchange rate of foreign currencies in the international exchange market recently. European currencies have risen and the price of imports therewith. The exchange rate of the dollar has, however, dropped which in its own way decreases the export income of Iceland.

Inflation forecast for next year in our main trading countries include 2-3 percent increase in prices from the turn of the year until the middle of next year. This will be felt in rising import prices.

Changes in indirect taxes that are introduced in the budget bill will cause 1-1 1/2 percent increase in cost of living. Balancing that is lowered income

tax for individuals and other tax reforms that must be reviewed in connection with prices and prospects of purchasing power in 1986.

The estimate for state revenue and state expenditure is based on an increase in wages in accordance with the wage agreements the minister of finance made with BSRB [Federation of State and Municipal Employees] and BHM [Association of University Graduates] during the first half of 1985 and in accordance with conclusions reached by the State Salaries Arbitration Court for the parties that receive salaries in accordance with the court's judgment. Wages will therefore increase by 36-37 percent on the average between 1984 and 1985 and 31-33 percent from the beginning of 1985 to the end of the year.

The prerequisite of the bill for exchange rate development is that the exchange rate of foreign currencies will increase by 5 percent from the estimated average exchange rate in 1985 to the end of 1986. Due to exchange rate changes and foreign price increases, it is estimated that the price of imports will be 6.7 percent higher overall by the end of the year than on the average during 1985. Besides, the revenue estimate of the oil assumes 1-2 percent increase in trade turnover."

Treasury Credit Need 4.5 Billion

Reykjavik MORGUNBLADID in Icelandic 16 Oct 85 p 29

[Text] Credit Budget Bill Submitted with Budget Bill

The government's 1986 credit budget bill was submitted along with the budget bill yesterday. According to that, the finance minister, on behalf of the treasury, is authorized to take a loan in the amount of 2.724 billion kronur, or the equivalent of that, in foreign currency in 1986. The finance minister is also authorized to borrow from a domestic credit market up to 1.850 billion kronur. This represents a 4.574 billion kronur credit need.

The National Power Company is authorized to borrow up to 740,000 kronur, and an additional 200,000 kronur if an agreement is reached on the expansion of the Straumsvik Aluminum Plant.

The Vestfirðir Energy Plant is authorized to borrow up to 20,000 kronur for heating service and electric power projects.

The Development Association is authorized to borrow up to 150,000 kronur to promote innovations in industry.

It is permissible to take loans up to 95,000 kronur to finance projects and debt changes incurred by municipal heating services.

The Development Fund of Iceland can borrow up to 1.242 billion kronur.
The Regional Development Fund is authorized to borrow up to 350,000 kronur.

The Nordic Industrialization Fund for Iceland is authorized to borrow up to 80,000 kronur.

Domestic Savings Tax Debated

Reykjavik MORGUNBLADID in Icelandic 16 Oct 85 p 48

[Article: "1986 National Budget: Should Domestic Savings Be Taxed?]

[Text] In the 1986 National Budget which was introduced yesterday, it is estimated that the economic growth next year will be 2 percent and 2.5 percent in the 2 years thereafter. Prime Minister Steingrimur Hermannsson said yesterday that economic growth can be predicted for the next few years that will create a basis for continued efforts to lower the inflation and reduce foreign debt without any cuts in purchasing power.

The prime minister was asked whether the government authorities had any plans to tax domestic savings: "Iceland is the only country I have information about where positive savings are not taxed. It has not been proposed here but we have gathered information that shows that all other countries do that. It may be ambiguous to tax one type of property and not the other. On the other hand, this is a discussion that has not been discussed at any length, and if a decision will be made to tax savings, that would be in connection with income," said Prime Minister Steingrimur Hermannsson.

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ECONOMIC

NETHERLANDS

DUISENBERG ON PLANS FOR MORE CREDIT FOR DEBTOR NATIONS

Amsterdam DE VOLKSKRANT in Dutch 11 Oct 85 p 2

[Article by Annegreet van Bergen: " 'Dutch Banks Will Certainly Cooperate.' Duisenberg On U.S. Plan for More Credit for Debtor Nations"]

[Text] Seoul--"If everything goes as Baker intends, first the big U.S. banks will indicate their willingness to increase their credit to the most important debtor nations by 2.5 percent a year on balance. Baker has already consulted with them here. The large banks will then seek support from the smaller banks, including Dutch banks such as ABN [General Bank of the Netherlands], NMB [Middle Class Bank of the Netherlands], and Amro [Amsterdam-Rotterdam Bank]." That is the president of the Bank of the Netherlands speaking, Dr. W. Duisenberg.

Duisenberg: "I certainly expect them to cooperate, because it is only in their own interest to do so. If they do, they will still have a chance to get interest payments. They know that if they do not cooperate, they will not get a cent back."

Duisenberg describes the American Program for Durable Growth, launched this week by the U.S. Secretary of the Treasury during the annual meeting with the IMF and the World Bank in Seoul, as not so important in itself. The plan provides for loans of only an extra \$30 billion in the next 3 years to the most important 15 debtor nations.

Of that amount, the commercial banks are to provide around \$20 billion themselves. International organizations like the World Bank and the Interamerican Development Bank are to sign up for \$9 billion, while the debtor nations involved are to declare themselves willing to bring order into their bureaucratic economies with their relatively large public sector apparatus.

"The only new element is that Baker said in so many words, Banks, don't laugh at the idea of providing credit. Because if the debtor nations are /never/ [italicized in original] going to be able to make that adjustment [on their own], extra money will be required to permit them to do so. That is in fact the same thing as I said in my annual report."

The banks that for years made it possible for the Latin American countries to postpone the necessary adjustments in their economies by providing uncontrolled credit will now have to bear the responsibility and keep on providing credit, Duisenberg says, now that these countries are finally getting serious about restoring their economies to health.

"Baker is correct in worrying about the fact that the more time passes, the less willing the banks are to increase their net credit offerings to the debtor nations. We are by no means talking about exorbitant sums. In the past 3 years the commercial banks have already lent these countries some \$20 billion net,"

Duisenberg says. That is however much less than in the years before that, and according to Duisenberg, Baker's initiative is intended largely to stop this decline.

According to Duisenberg, it will not be so very difficult to persuade the commercial banks, including the Dutch ones, to lend extra money to the South American countries. "Dutch banks too will cooperate, just as they have cooperated in operations to aid Mexico and Brazil, for instance. That is a question of cold calculation."

"The Bank of the Netherlands is obliging the banks to increase their provisions for questionable loans. That is the paradox in the whole situation. Those reserves are kept secret in the Netherlands, but they do exist. In the United States, those reserves are made public and counted up with the banks' own capital. But to some extent there are write-offs for questionable loans there too. That is probably one of the reasons why the European banks have come out of the past 3 years in better condition than the American ones," Duisenberg says.

"It is however incorrect to think that these countries should have to pay back all their debts. They can not, and they also must not. Imagine that Mercedes Benz paid back all its debts to the Deutsche Bank. Then the Deutsche Bank would have no reason to exist. A bank after all lives by lending out money. The main thing is that the interest be paid. For these countries the important thing is to reduce their debts to such a level and at the same time to have sufficient growth that the interest burden again becomes a normal, bearable one."

Nor according to Duisenberg is the second leg of Baker's plan new. "The South American countries are already working on the adjustment that is being asked of them. The question is only how long they can keep it up. It is unavoidable that, just as in the Netherlands, the social and political resistance to changes in the budget will become greater the longer the changes continue. We have to see to it however that they keep on with their adjustment policy. But you do not need a plan for that."

How the World Bank is to increase its credit by a good 50 percent--the third leg of the U.S. initiative--is still not clear to Duisenberg. "I have talked with the Americans about that, but they could not tell me either," says Duisenberg. "The plan, to the extent you can speak of a plan, is vague. We still do not know what it includes. The most important thing however, I think, is that the Americans are moving, and that they no longer always say on every question: just let the market take care of it."

"That is not just true in this area, but especially also in the matter of exchange rates. I am very happy with the breakthrough in New York," says Duisenberg, referring to the meeting of the finance ministers and central bank presidents of the five leading industrial countries, almost 3 weeks ago in New York, where it was decided to let the dollar come down for a soft landing.

"That meeting really appears to have brought the dollar down," says Duisenberg. "And that is something when there are 300 bills for protectionist measures up before the U.S. Congress. That dollar was really strangling the American export industry. You will not end the protectionist danger with just a lower dollar, but it does take away the worst of the pain." Duisenberg will not express any opinion on whether the New York meeting will still have an effect on the dollar rate six months from now. "But I am not without hope that the Americans will really do nothing [sic] about the underlying causes. They will certainly attack the deficit, but whether that will be enough, only time will tell." In addition, it was learned yesterday in Seoul that the countries of the Group of Five (United States, West Germany, Japan, Great Britain, and France) have decided to meet once a month to discuss the situation on the foreign exchange market.

The Reagan administration's promise not to raise taxes, repeated once again in Seoul by Baker, makes it very doubtful, however, that the Americans will succeed in making a substantial reduction in their deficit.

Duisenberg: "They do indeed say that they will not raise taxes. And they will try not to, until they run into a stone wall and have no other choice."

According to Duisenberg the debt plan developed by the Americans in Seoul is really a balloon being sent up to see how the rest of the financial world reacts. "We are mainly glad that finally--after 5 years of saying /nyet/ [italicized in original] to every international intervention--there are U.S. initiatives being launched. Now that Baker is Secretary of the Treasury in place of Regan, there is a dynamic man at the Treasury. But it will take a while before that works its way through the entire bureaucratic apparatus. Naturally it is not possible to come up with a solution from one day to the next. But those are both important steps in the right direction."

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ECONOMIC

NORWAY

OIL WEALTH SEEN ONLY CREATING NEW EXPENDITURE DEMANDS

Stockholm DAGENS NYHETER in Swedish 19 Oct 85 p 11

[Article by Bjorn Lindahl]

[Text] Oslo--Where does the Norwegian oil money go? The treasury raked in 46 billion kroner this year. But the present generation of Norwegians will have a hard time finding something they can show their grandchildren with the proud remark: "We built this with the oil revenues."

One can certainly tell that the oil industry has become a factor in Norway. The road from Fornebu Airport to Oslo is lined with engineering firms where young men and women design bigger and bigger oil platforms.

But the road itself is full of potholes. And Oslo's finances, like those of many other cities, are in poor shape. In a paradoxical way public wealth exists side by side with public poverty.

In the recent election campaign the main questions were why there were such long waiting lines at hospitals and why old people have to wait to get a place in a nursing home.

The oil money is seen as the solution to all problems. There is little general awareness of the fact that the money has already been consumed down to the very last krone. On the elevator taking us up to see Finance Minister Rolf Presthus--an old and rickety elevator that heaved its way from floor to floor--someone asked:

"Couldn't we buy a new elevator now that we have all that oil money?"

Flowing In

It is to the finance minister's office that the demands from all the organizations and interest groups come flowing in. Study groups have proposed that the oil revenues be administered in special funds to be used on research and investments in things that can produce jobs and benefits in the future: education, the infrastructure and shares in foreign companies.

But the oil income is being used for the usual purposes. Most of it is used to cover current expenses.

"It is possible that after the war people thought we might reach a point where the health system had expanded so that all needs could be met and the communications system would be satisfactory.

"We have long passed the goals set in earlier plans but at the same time our demands have escalated and in a way one can say that there are more unsatisfied needs now than there used to be," wrote Hermod Skanland, director of Norges Bank.

He has at least made sure that there will be one thing that can be pointed out to wide-eyed children in the future.

In the heart of old Kristiania the new headquarters of Norges Bank covers an entire block.

The bank is located among restored 17th-century houses and its palatial towers jut up to great heights. Behind flapping tarpaulins one can glimpse a facade of marble, granite and copper.

Long after the oil is gone from the Norwegian continental shelf or it is no longer profitable to keep pumping it out, Norges Bank will stand there as a monument to the country where the state took all the oil money.

For the money has not ended up in the hands of the Oslo Stock Exchange, located a few blocks away. It looks like a kennel compared to the national bank.

Loose Cash

No debate is needed on wage-earner funds in Norway. If a real socialist government came to power it would take only half the loose cash in Norges Bank--110 billion kroner the last time they added it up--to buy every single company listed on the stock exchange.

This does not take into account the fact that the state already owns 51 percent of the biggest industrial firm in the country, Norsk Hydro.

But the facade of Norges Bank is deceptive. That is not where the power lies; the bank functions more as an extended arm of the Finance Ministry.

Not many people heed the warnings issued there that in spite of its big currency reserves Norway still has a big foreign debt and its economy needs to be tightened up.

On the other hand it may not have improved the credibility of this message that the cost of the new bank headquarters exceeded all limits with an estimated final cost of more than 3 billion kroner, double the original estimate.

Warnings

But other economists have also issued warnings. Norway is undermining its own wealth, they charge.

The 7 good years Norway has had with oil can be followed by 7 lean years. The money started coming in slowly in 1971 when it amounted to 14 million kroner and it was not until 1979 that oil revenues added up to billions of kroner.

It is expected that 1985 will be the best year so far because the value of the dollar has been high for such a large part of the year. It is estimated that oil revenues will be 46 billion kroner this year.

But revenues are expected to drop by 10 billion kroner next year.

Revenue could drop even more if Norway continues its present oil policy.

"Today and in the future Norway probably represents the biggest price risk for OPEC and the oil markets," wrote Norwegian oil economist Oystein Noreng.

From 1983 to 1985 Norwegian oil production rose by a third, from 30 to 40 million tons a year. Future increases could bring production up to 75-80 million tons by 1990, almost doubling production in a 5-year period, in other words.

Desperate Struggle

A moderate forecast calls for world oil demand to increase from 2.3 billion tons in 1985 to 2.4 billion tons in 1990. It looks as if Norway alone will get 35-40 percent of this increase.

This is not popular among OPEC countries which are already lashing out like hungry horses in a stable in a desperate struggle to prevent the market from being flooded with too much oil.

Great Britain does not represent the same kind of threat to oil prices as Norway does. Production there has reached its peak and is more apt to decline now.

Due to the elimination of the state oil company, BNOC, large quantities of oil have been kept off the weak spot market.

The defunct systems of the oil company are now being taken over and they will have great influence on British oil policy. Since more money is earned from production than from refining and distribution, this favors stable oil prices.

This is shown by the fact that British oil fields are shut down from time to time for maintenance and repair work.

Weakness

"It appears that weakness in oil markets spreads to platform structures," wrote Noreng.

The official Norwegian excuse for not helping to stabilize the oil market is based on the high investment costs, the long construction periods and the fact that the Norwegian state does not have the authority needed to cut production.

There is a big risk for Norway if the country directly supports OPEC. That would make it look as if the nation is really a member of the cartel.

This could create problems with allies and trade partners. Norway could expose itself to even stronger pressures from OPEC in the future.

But the alternative could be even worse.

If Norway reduces its oil production it will have immediate effects on state revenues. But it will not affect the profitability of new projects with extended development timetables.

Price Reduction

A price reduction now with the same production level would affect both state revenues and the profitability of new projects.

Cutting oil production does not have to be a bad deal. In the early 1990's there could once more be a tighter oil market with higher prices.

"When history is being written about this period it will be hard to avoid the conclusion that this generation was one that lived off of its capital," Hermod Skanland wrote.

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ENERGY

SWEDEN

POLL SHOWS VOTERS MORE POSITIVE TO NUCLEAR POWER

Stockholm DAGENS NYHETER in Swedish 16 Oct 85 p 6

[Article by Rune B. Axelsson]

[Text] Oskarshamn--Swedes have a more positive attitude toward nuclear power. We are less inclined to believe there is a risk of accidents and we are more optimistic than other nuclear power countries when it comes to the possibility of storing radioactive waste in an acceptable manner.

This report came from the SIFO [Swedish Institute for Public Opinion Polls] opinion institute on Monday in connection with the opening of the 12th Swedish reactor in Oskarshamn, known as O III.

This is the biggest reactor of them all and it can take care of 6 percent of Swedish electricity production all by itself. Since the first spade went into the ground 5 years ago the project has cost 11 billion kronor.

The attitude of the public toward nuclear power has been studied with the help of almost 10,000 interviews in nine countries where commercial nuclear power plants have been in operation for more than 15 years.

The countries included France, Sweden and Finland, which are heavy consumers, East Germany, Japan, England and France, which use moderate amounts, and two low consumption countries, Holland and Switzerland.

In France nuclear power provides 60 percent of the electricity consumed, in Sweden the figure is 41 percent while in Holland it is only 6 percent and in Switzerland it is 3 percent.

England First

England was first off the mark as far back as 1956. Sweden joined the age of nuclear power with Oskarshamn I in 1971. Sweden is the only country where there has been a political decision to phase out nuclear power. A special decision is required in Finland to allow the present energy program to exceed the two reactors in operation there.

Hans L. Zetterberg of SIFO reported the results to nuclear power interests from all parts of the world.

The main speaker was Hans Blix, who is now head of the United Nations atomic energy organ and can thus be said to hold the highest post in his branch in the entire world.

In attendance were Jean Guilhamon from Electricite de France, which operates more reactors than anyone else, and the hawk of nuclear power issues, Carl Walske from the Atomic Industrial Forum in the United States.

The survey showed that 64 percent of the French respondents favored nuclear power as did 57 percent of the Japanese, 45 percent of the Swedes and only 37 percent of the Dutch. Holland, the United States and England have more people against nuclear power than for it.

In Sweden today 37 percent of those asked said they were against nuclear power.

Little Chance of Accidents

Of the Swedes who oppose nuclear power only 10 percent believe in continued expansion. The corresponding figure in the United States is 40 percent, but the most pessimistic opponents can also be found there.

In France and Sweden most people think reactors can operate without much risk of serious accidents. The figures are 62 and 57 percent respectively. The people most anxious about accidents come from Japan, England and Holland, where the figures are 44, 49 and 43 percent respectively.

But in all nuclear power countries, both large and small, a majority did not believe acceptable methods for storing nuclear waste could be found.

We Swedes are the most hopeful. The pessimists only had a 3 percent edge. We are followed by West Germany with 11 percent, the United States with 13, Finland with 18, France with 24, Switzerland with 29, England with 39, Holland with 42 and Japan with 45 percent. In Japan with its radiation experience, 15 percent believed proper storage of nuclear waste was possible while 60 percent disagreed.

The day before the dedication of O III in Oskarshamn was devoted to a symposium on the attitude of the general public toward nuclear power and related safety problems. Participants came from around the world.

The speaker at the dedication was director general Hans Blix.

He noted that total world energy needs had indeed declined in recent years. But at the same time demand for electricity has risen. A record was set in the history of nuclear power plants in 1984. That year 34 new plants went into operation around the world.

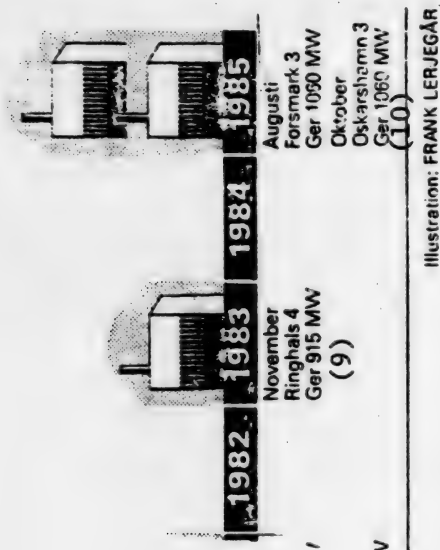


Figure 1. Reactor Construction in Sweden Since 1972

Key:

1. It is estimated that it takes 1000 megawatts (MW) to heat 3 million single-family houses.
2. February 1972, Oskarshamn 1. Capacity, 440 MW.
3. December 1974, Oskarshamn 2. Capacity, 610 MW.
4. May 1975, Ringhals 2. Capacity, 800 MW.
5. July 1975, Barseback 1. Capacity, 605 MW.
6. January 1976, Ringhals 1. Capacity, 750 MW.
7. July 1977, Barseback 2. Capacity, 605 MW.
8. December 1980, Forsmark 1. Capacity, 900 MW.
9. July 1981, Forsmark 2. Capacity, 900 MW.
10. September 1981, Ringhals 3. Capacity, 915 MW.
11. November 1983, Ringhals 4. Capacity, 915 MW.
12. August 1985, Forsmark 3. Capacity, 1060 MW.
13. October 1985, Oskarshamn 3. Capacity, 1060 MW.

On Wednesday the celebration will continue with a big party for more than 1000 people in a circus tent that stands in sharp contrast to the now well-known profile of the nuclear power plants.

Depending somewhat on their personal perspective of the future the participants talked about either the latest or the last of Sweden's nuclear power plants. Director General Hans Blix referred to it in his paper as the "last."

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ENVIRONMENTAL QUALITY

BELGIUM

MASSIVE AIR POLLUTION FROM ANTWERP'S PETROCHEMICAL INDUSTRY

Amsterdam DE VOLKSKRANT in Dutch 10 Oct 85 p 1

[Article by "our reporter": "Antwerpers Being Poisoned Gradually. Petrochemical Industry Emits Tons of Dangerous Substances Every Day"]

[Text] Antwerp--The more than one million inhabitants of the Antwerp port area have been being "stealthily poisoned" for decades. Every day the many petrochemical firms emit three to five tons of carcinogenic and dangerous substances such as benzene, chlorine, acrylonitrile, and vinyl chloride. There are indications that there are more cases of cancer and premature deaths in Antwerp and surroundings than elsewhere in Belgium.

This is the conclusion reached by Benegora (Belgian-Dutch Border Consultation, Antwerp Region) after a long-term study. On Wednesday in Antwerp the Belgian-Dutch environmentalist group presented a report in which the Antwerp petrochemical industry's pollution is described as a "slowly ticking time bomb for the public health."

The report reveals that the pollution shows up even across the border. Because the prevailing winds over Antwerp are from the southwest, the Brabant towns of Huibergen, Woensdrecht, Ossendrecht, and Putte receive the full load every day. This corner of North Brabant has about 25,000 inhabitants. According to Benegora, almost nothing is done to stop air pollution because, in comparison to countries such as West Germany and the United States, Belgian authorities have extremely flexible standards for the emission of dangerous substances.

Belgium does have a law on air pollution, but it dates from 1964. Since then, standards have been tightened up somewhat, but according to the environmentalist group, the Belgian authorities responsible turn a blind eye to too much of what the petrochemical companies do. In addition there is the fact that verification of compliance with those standards is almost proverbial for its laxness.

Standards

"According to the law the firms must inform authorities as to how much of what products are used in what way. But it can then take up to 2 years for the government to process the information," the report says. Benegora therefore demands that Belgian emissions standards be made stricter, that verification of compliance be tightened up, and that violators be treated toughly. Further, Benegora wants a systematic health study in the Antwerp region to show what the medical effects of the air pollution are.

Antwerp has been a center of the petrochemical industry for a very long time. Bayer, Esso, BASF, Amocofina, and Solvay have had plants there for years. As part of this study Benegora workers (including environmental experts) measured air pollution at fixed times and under differing weather conditions in the Dutch town of Ossendrecht and in the Belgian towns of Stabroek and Zandvliet. In almost all cases it

turned out that poisonous substances were present in quantities far exceeding generally accepted standards.

Although the gradual poisoning of Antwerp and the surrounding area is the first and most important problem according to Benegora, the report also calls attention to the growing number of factory accidents in the petrochemical industry around this largest Belgian port.

Because many of the factories have been in Antwerp for decades, they often have obsolete production equipment that is beginning to give more and more trouble. In August 1985 alone, the petrochemical industry had to sound the alarm four times because of escaping gas or because of leaks.

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